

CLIENT PROJECTS

COOS COUNTY, OREGON

Natural Gas Pipeline System

IGS is project advisor, along with PSI for the county commissioners of Coos County, OR for the design and construction of a 60 mile, 12 inch pipeline that will serve the deep water port of Coos Bay/North Bend. The project is currently under construction and is expected to be completed in 2004.

OCI CHEMICAL CORPORATION

Gas Pipeline System & Gas Supply Program

In 1972, Stauffer Chemical Company of Wyoming (now OCI) began a program to obtain a gas supply for its Soda Ash Refinery near Green River, Wyoming. IGS managed this gas supply and development program for over 20 years, purchasing gas from producers located in the area, and provided engineering and management to build and operate the pipeline system between the refinery and the producing wells. Daily volumes from this system during peak periods exceeded 30,000 MCF per day. IGS operated this 220-mile pipeline system, which is connected to over 90 wells, for 21 years and continued to administer the operation and gas supply development program from its Rock Springs and Denver office until March, 1997.

GENERAL CHEMICAL COMPANY

Gas Pipeline System

IGS designed, constructed, and operates an 11 mile pipeline system that connects the General Chemical plant with Overland Trail Transmission's pipeline system in southwest Wyoming. Daily gas volumes into the General Chemical plant are 15,000 to 20,000 MCF per day.

WINTERSHALL CORPORATION

Monroe Gas Field and Mid-Louisiana Gas

IGS assisted Wintershall, a subsidiary of BASF Corporation, to acquire gas production of over 50,000 MCF per day and over 1,000 miles of pipelines in Louisiana, by providing engineering and operations evaluation. The **acquisitions totaled over \$150 million**. Gas marketing and transportation consulting functions were performed to assist Wintershall in its effort to become major gas marketer in the U.S.

WEYERHAEUSER PAPER COMPANY

Gas Pipeline System

IGS designed and managed the **construction of a ten-mile 12" gas pipeline** connecting Weyerhaeuser's Longview, Washington Plant with Williams Gas Pipeline West's main transmission line. This pipeline was constructed in congested urban areas, along a railroad, and across an 800' bridge span. IGS has operated this pipeline system for Weyerhaeuser since its completion in 1990.

REICHHOLD CHEMICALS, INC.

Mist Field

As a management and engineering consultant for Reichhold Chemicals in the mid-1970's, IGS did preliminary research on the geology of the area surrounding Reichhold's St. Helen's, Oregon fertilizer plant. As a result of this work, Reichhold made the **first commercial discovery of gas in Oregon, the Mist Field**, and subsequently formed a wholly-owned subsidiary, Reichhold Energy Corporation, to carry out this work of developing gas for its fertilizer plant. IGS performed all of the gas reserves and development engineering work and provided management guidance for Reichhold on this project.

OREMET-WAH CHANG

Gas Pipeline System

In 1998, IGS designed and constructed a 5 1/2 mile, 6 5/8" pipeline to connect Oremet-Wah Chang's Albany, Oregon titanium plant to Williams Gas Pipeline West Grant's lateral. IGS operates this pipeline, which delivers over 1,500 MCFD to the plant.

CHARTER EXPLORATION AND PRODUCTION COMPANY

Roggen Field & Gas Plant

In 1975, IGS recognized the potential gas reserves that were available in the Roggen Field and surrounding area in Weld County, Colorado. IGS entered into an agreement with Charter Exploration and Production Company to contract for gas purchases and build the necessary gas processing plant and pipeline gathering system that was capable of processing over 20,000 MCF per day of gas. On behalf of Charter, IGS acquired approximately 7,000,000 MCF of gas reserves and operated the Roggen System until late 1976, when the plant was sold to Crystal Oil and Gas. Later it was purchased by Damson. In 1987, IGS assisted Snyder Oil Company in evaluating and purchasing the plant, which had been expanded to a capacity of over 35,000 MCFD.

ADOLPH COORS COMPANY
Gas Development Program & Pipeline System

In 1971-73, IGS supervised the **drilling and completion of approximately 90 wells** in Wattenberg Field north of Denver, and **managed the construction of a 225-mile pipeline** system to access these reserves to the Adolph Coors Company in Golden, Colorado. Total developed reserves were estimated at approximately 90,000,000 MCF. In addition, IGS leased over 140,000 acres of prime gas prospect acreage in Western Colorado for future drilling by Coors. Subsequently, this acreage has been successfully drilled and developed by Coors Energy Company.

SCOTT EXPLORATION COMPANY
Raton Basin, Colorado

IGS provided engineering consulting services to Scott Exploration Company in 1998 in their CO₂ field development efforts in the Raton Basin of Colorado. IGS designed field gathering systems and prepared cost estimates for the gathering, dehydration and processing facilities required for full field development, which currently is still being pursued by Scott.

LAMAR UTILITIES BOARD
Gas Pipeline & Gas Supply - Power Plant

The City of Lamar, Colorado needed gas for its gas powered electric utility plant which was being curtailed by its gas supplier. In 1973, IGS worked with the Lamar Utility Board to purchase gas supplies from a nearby field. IGS secured over 10,000,000 MCF of gas reserves and **built a 20-mile pipeline system** to deliver the gas to the power plant.

MOUNTAIN GAS RESOURCES
Cryogenic Gas Processing Plant

IGS acted as Project Engineer to acquire, move, and **install a 30,000 MCFD capacity Cryogenic Gas Processing Plant** and related facilities near Granger, Wyoming. This plant was put on stream in September, 1991 and is currently operated by Western Gas Resources.

EXXON COMPANY U.S.A.
*Non-EOR CO₂ Demand in
The Rocky Mountain Area
June 1988*

IGS performed a study of non-EOR uses of CO₂, or merchant uses, within a 300 mile radius of Rock Springs, Wyoming. The objective of the study was to provide volumetric demands, purity levels and costs for each major end-use category of merchant CO₂.

EQUITY PROJECTS

NATURAL GAS UTILITIES

North Carolina, Missouri, Maine, California, Pennsylvania, New York

IGS has surveyed over 100 rural and small town communities in the U.S. that do not have natural gas service. As the result of these surveys, IGS has formed three joint venture utility companies, Frontier Energy, Ozark Natural Gas Company, and Penny Natural Gas, LLC.

Frontier has received certificates from the North Carolina Utilities Commission to serve seven counties in North Carolina. The Company is constructing over 700 miles of transmission and distribution system to serve over 14,000 customers. Operations began in May, 1998. Total cost of the facilities will be about \$57,000,000. IGS and PSI sold their interest in Frontier to Sempra in 1998.

Ozark Natural Gas Company, under the management of IGS and PSI, received a certificate with the Missouri Public Service Commission to serve Branson and other communities in a three-county area with natural gas through about 180 miles of pipeline system. Over 5,000 customers will be served. Initial cost of the project is \$18,000,000. Because of the downturn in the world economy in late 1998, Ozark lost its funding and the certificate expired. IGS and PSI are seeking funding to re-certificate the project under the name Frontier Missouri Energy.

IGS owns 5% of Mid-Maine Gas Company, a gas utility that has a certificate to serve Bangor and other communities in Central Maine.

Penny Natural Gas, LLC was formed to serve several counties in Pennsylvania and New York. The company is in the certification process.

IGS is also working with Alpine Gas Company to serve two communities in Central California.

GREEN RIVER GAS PROCESSING PLANT

During the winter of 1987-88, IGS built and owned a 15% interest in a **100,000 MCF per day capacity natural gas processing plant** and associated liquids pipeline in southwestern Wyoming for a total cost of \$2,400,000.

IGS operated the plant for a period of ten months prior to selling its interest to the other owners. During this period, the plant processed an average of 77,000 MCF per day of wet gas, recovering 66,000 gallons per day of natural gas liquids and delivering 75,000 MCF per day of dry gas to several pipelines.

CENTENNIAL (PANTERA) PIPELINE

Pantera Energy Corporation

In 1975, IGS built the Centennial Pipeline System, located in Weld County, Colorado and operated the system until 1982. At that time Pantera Energy Corporation was formed and took over the operation of the system, which processed and delivered approximately 6,000 MCF per day of gas to a major pipeline system, as well as several industries. Later, this system was expanded to handle approximately 10,000 MCF per day of gas, and was acquired by Associated Natural Gas, Inc.

EXPLORATORY AND DEVELOPMENT DRILLING OIL AND GAS PRODUCTION

Stauffer Chemical Company contracted with IGS in 1981 to prepare an oil and gas exploration and production program. This program later resulted, in Stauffer's words, in a ". . . **successful domestic E&P company.**" In 1985, Stauffer sold its E&P company after having developed about \$5 million per year in revenue from net production of 600 Bbl. oil per day and 1,000 MCF gas per day in the states of Utah, Wyoming, Colorado, North Dakota, Kansas, Oklahoma, and Texas. IGS participated with a working interest in some of the Colorado drilling, and retained overrides, as well, in several additional prospects.

IGS has operated two drilling partnerships since 1980. Acting as general partner in these limited partnerships, IGS has drilled and completed 4 producing oil wells in Kansas and Nebraska and has participated in another 6 wells in Colorado. As part of the first of the two limited partnerships, IGS built and operated a small gas processing plant near New Raymer, Colorado to gather and process casinghead gas being produced from 6 wells. This partnership was successful and was subsequently sold. The second partnership had three of its wells in an active waterflood.

IGS is General Partner of a Partnership that acquired 28 gas wells in Southwest Wyoming from Amoco in 1992. These wells produce gas into Williams Natural Gas, Colorado Interstate, and Overland Trail Transmission Companies' gas systems.

OTHER PROJECTS

GAS SALES AND PURCHASES

The foundation of IGS' business has been its engineering and contract consulting. At first, this engineering and contract consulting work was performed for producers who needed to market their gas. But as markets grew and gas supplies dwindled, the emphasis changed toward *industrial users of natural gas* who needed additional gas supplies. IGS has been instrumental in obtaining necessary gas supplies for several industries and institutions at a time when operations were being curtailed due to cutbacks in gas being provided from the local utility companies.

IGS has successfully negotiated **gas purchase contracts** with producers on behalf of Colorado State University, University of Colorado, and the University of Northern Colorado resulting in **savings of over \$500,000 per year** for these institutions. In addition to these universities, IGS has arranged for direct purchase of gas for Veldkamp's, Inc. of Denver, the Dana Corporation of Pueblo, Ball Metal Container Corporation of Golden, Kodak-Colorado Division of Windsor, and Northern Colorado Medical Center of Greeley.

SPECIAL GAS TECHNOLOGY

In 1984, IGS initiated a research effort to determine the technology required to bring **natural gas to the market as a viable motor vehicle fuel**. In 1989, IGS became a major stockholder and provided all management for Continental Gas Company, a corporation that had exclusive patented technology for hydraulically compressing natural gas to 3000 psig. In 1990, IGS sold its stock in Continental to another shareholder desiring to use the technology in the burgeoning market for natural gas vehicles (NGV) in Texas. IGS retained some rights to use the technology in other states and plans to take a leading role in developing new kinds of compression, gas delivery systems and gas marketing to benefit the energy transportation and environmental sectors of the economy.

ROBERT J. OXFORD

Mr. Oxford obtained a Bachelor of Science degree in Petroleum Engineering at Louisiana State University. While in attendance at Louisiana State University, Mr. Oxford was admitted into Tau Beta Pi, the national engineering honor society, and was President of Pi Epsilon Tau, Petroleum engineering honor society. Mr. Oxford also was awarded the Socony-Mobil Fellowship, an achievement scholarship for petroleum engineers, and the Slack Memorial engineering scholarship.

Mr. Oxford's professional experience includes various engineering and management positions with Mobil Oil Corporation in Oklahoma, South Texas, Louisiana, and Wyoming from 1956 to 1968. During that period, Mr Oxford also served three years as a navigator in the Strategic Air Command.

In 1968, Mr. Oxford was employed by McCulloch Oil Corporation as Manager of McCulloch Gas Transmission Company. Mr. Oxford was instrumental in forming McCulloch Gas Processing Corporation, as well as McCulloch Interstate Gas Corporation, headquartered in Casper. His responsibilities included the purchase, gathering, processing, transportation, and distribution of natural gas in Wyoming. These responsibilities continued during the years 1968, 1969, and 1970.

In 1971, Mr. Oxford became a General Partner in Gas Development Enterprises in Denver, Colorado. This partnership was involved in natural gas management and engineering consultation to oil and gas producers.

Since 1972, Mr. Oxford has been President of Industrial Gas Services, Inc., (IGS), successor to Gas Development Enterprises. The business of IGS is natural gas management and engineering consulting for industrial users of natural gas, and for oil and gas producers. IGS is also an operator of oil and gas wells, gas gathering systems and gas processing plants. Additional areas of business include consultation in regard to pipeline design, construction and operation; gas measurement auditing; gas accounting; FERC filings; and reservoir engineering studies.

IGS operated an intrastate pipeline system in the Greater Green River Basin for over twenty years. This system which is over 200 miles in length, was owned by Rhone-Poulenc of Wyoming (RP), formerly Stauffer Chemical Company of Wyoming. The pipeline is now owned and operated by Duke Energy.

In the mid-1980's Mr. Oxford formed Gas Measurement Auditing Services (GMAS) to assist gas producers in dealing with gas measurement, sampling, and chart integration. GMAS negotiated settlements with gas pipeline purchasers.

In the late 1980's IGS, through Mr. Oxford's leadership, formed Continental Gas Company (CGC) to serve truck fleets with compressed natural gas. After two years of operation, this company was sold to a division of Transcontinental Gas Company. Mr. Oxford was President of Continental.

IGS, under Mr. Oxford's direction, constructed and presently operates three industrial pipeline systems; one for Weyerhaeuser in Longview, Washington, General Chemical in Wyoming, and Wahchang in Albany, Oregon.

From 1986-1990, Mr. Oxford and the IGS staff assisted Wintershall Energy Company, a subsidiary of BASF USA, in the acquisition of IMC Exploration Company and Mid Louisiana Gas Company. The acquisitions totaled over \$150,000,000. This resulted in Wintershall producing, transporting, and marketing over 100,000 MCFD of gas. Mr. Oxford was active in evaluating, selecting, and administering various industrial and jurisdictional markets for Wintershall in Louisiana and Mississippi.

IGS owned a 15% interest in the Granger Gas Processing Plant under Mr. Oxford's direction and managed the construction and operation of the 95,000 MCFD plant for one year before selling its interest to Presidio.

Mr. Oxford has testified on numerous occasions in Federal and State Courts and before State Commissions concerning the measurement, accounting and evaluation of gas and gas products for royalty.

Mr. Oxford formed Frontier Utilities, Inc. in 1994 to study opportunities to construct and operate gas distribution systems in towns where there is no gas service. Over eighty communities were identified and in September, 1994, Frontier Utilities of North Carolina was incorporated to serve four counties in northwest North Carolina. Mr. Oxford served as President of Frontier Utilities of North Carolina, and successfully merged the company into Frontier Energy. Frontier received certificates from the North Carolina Utilities Commission to serve seven counties in North Carolina. The Company constructed over 700 miles of transmission and distribution system to serve over 14,000 customers. Operations began in May, 1998. Total cost of the facilities was about \$57,000,000. IGS and PSI sold their interest in Frontier to Sempra in 1998.

Mr. Oxford, as President of Ozark Natural Gas Company was successful in obtaining a certificate of public convenience and necessity to transport and distribute natural gas to a three county area in Southwest Missouri, including the city of Branson. He is a manager of Penny Natural Gas, LLC, a company formed to serve three Pennsylvania and one New York county with natural gas.

Mr. Oxford maintains membership in the Society of Petroleum Engineers of A.I.M.E. and the Rocky Mountain Natural Gas Association, where he was formerly President and member of the Board of Directors. Mr. Oxford retired from the Wyoming Air National Guard as a lieutenant colonel.

Mr. Oxford has delivered professional papers on the marketing of natural gas to the Wyoming Geological Association, Montana Geological Association, Oklahoma City Geological Society and at a regional meeting of the Society of Petroleum Engineers.

Steven Shute, PE
Natural gas utility consultant.

Educational & Professional Background

Bachelor of Science, Electrical Engineering, Kansas State University.
Registered Professional Engineer (PE): Nebraska, Colorado, Utah.
Member, National Association of Corrosion Engineers.
Member, Rotary International.

Work History

Since 1986, Steven Shute has worked to provide natural gas service to rural communities. In many areas, the large regional utilities are unable or unwilling to provide service. These projects are often feasible, if a new start-up utility installs a system and operates as a stand-alone entity. Mr. Shute, PSI and affiliated companies specialize in low-cost development of small gas utilities. After finding a suitable community, they work to bring in gas, operate the utility system, and maximize conversions. Several utility startup projects are in progress:

Coos County Gas Pipeline

2000 to 2004

Mr. Shute served as a Project Advisor on a \$44M project to build a 12-inch gas transmission pipeline to serve the Coos Bay area on the coast of Oregon. Tasks: route & pipe selection, coordination of the environmental impact statement (EIS), secure 20+ permits from 12 governmental agencies, utilities commission liaison, public information meetings, prepare bids & administer construction. This 90-mile system with 3 laterals will serve an area with 60,000 residents and numerous industries around a deepwater ocean port.

Pinedale Natural Gas, Inc.

1993 to present

Mr. Shute is Founder and 50% co-owner. A small propane utility in Pinedale, Wyoming (near Jackson Hole) was purchased and converted to natural gas. This town is surrounded by an active gas producing area, but the regional utility passed over this project for 35 years. Tasks: arrange purchase & financing; liaison with Wyoming Public Service Commission; perform all design and permitting for natural gas supply pipeline and LDC system; convert from propane to natural gas in 1994; formulate Operations & Maintenance and Operator Qualification plans and implement drug testing program; train operators and implement enhanced safety program, ongoing supervision of utility operations. PNG has grown from 200 to 800 meters since starting operations in 1993.

Alpine Natural Gas

1997 to present

Mr. Shute serves as consultant and partner on a gas distribution system in the foothills of the Sierra Nevada east of Stockton, California. Tasks: feasibility study, design and construction supervision work on a \$3M green-field system, operations and safety issues. This system serves about 800 homes and small businesses, and has many opportunities for expansion in the state.

Walden Municipal Gas

1994 to present

Mr. Shute was project manager on the \$3M project to keep gas in Walden, Colorado. When the 40-year old gas field near Walden failed, the utility company abandoned the system. Mr. Shute evaluated the options for the existing natural gas system, and convinced the Town to convert to municipal operation and install a pipeline to ensure a long-term gas supply. PSI specified the use of coiled aluminum pipe to minimize cost and environmental permitting problems; negotiated joint trench and shared RoW with US West; secured permits from 13 governmental agencies for 46 miles of pipeline; administered construction and inspection for the pipeline project; helped with startup and municipal operation in 1995; designed distribution systems along the pipeline in Wyoming in 1997. The system has grown from 600 to about 1000 meters. In 2002, Mr. Shute through Pinedale Natural Gas, became the contract operator for the Walden system.

Wendover Gas Company

1996 to present

Mr. Shute is primary consultant on a propane gas distribution system in Wendover, a small community straddling the Nevada-Utah state line on I-80 west of Salt Lake City. Tasks: feasibility studies, certification through the utilities commissions in Nevada and Utah, design and construction supervision work on a \$1.2M greenfield system, gas supply and safety issues. This system serves about 700 homes, casinos and related businesses.

Frontier Energy, LLC. - Mr. Shute was a co-Founder, officer, and stockholder of this gas utility in North Carolina. In July 1997, Frontier won a Supreme Court decision and received certification to build a \$55 million gas utility system serving 7 counties in northwestern North Carolina. The initial project includes 150 miles of transmission pipeline and 500 miles of distribution, to serve about 10,000 customers within 5 to 10 years. These seven counties have a population of 250,000, with 1500 poultry growout facilities and a large industrial and manufacturing base. Mr. Shute worked with Frontier from 1994 to its sale in 1999 to Sempra Energy (parent of Southern California Gas).

Ozark Natural Gas Co., Inc. - Mr. Shute was a principal of Ozark, which received certification in August 1998 to serve gas to a three-county area around the country music resort community of Branson, Missouri. The \$20 million project includes 40 miles of transmission pipeline and 140 miles of distribution. Ozark planned to serve more than 5,000 customers, including residential, commercial / resort, a college and a few light industries. (Project was not built.)

Mid-Maine Gas Utilities, Inc. - in 1997, MMGU was conditionally certificated to serve gas to unserved areas of Maine, including Bangor, Waterville, Augusta and surrounding towns. The \$14M system would serve homes, businesses and light industries off the Maritimes & Northeast PL, built in 1999 from Nova Scotia. Mr. Shute performed system design, feasibility studies, and testified before the Maine Public Utilities Commission. (Project built by Sempra Energy.)

Southern Ute Utilities – Mr. Shute serves as gas utility consultant for the Southern Ute Tribe in Ignacio, Colorado. PSI performed a feasibility study, and prepared design & construction documents for the installation of a new \$300k gas distribution system for the Tribe. This work included hydraulic models, load study, material specifications, bid documents, measurement station and odorizer design, detailed design sketches and drawings, and operations followup. The utility has operated successfully since 1993.

Principal, Pipeline Solutions, Inc.

1991 to present

Mr. Shute is a consulting engineer specializing in natural gas utilities: pipeline and distribution system engineering, measurement facilities design, DOT compliance, corrosion control, operator training programs, environmental compliance. Sample project list:

Western Utility - audit to identify high gas loss problem in small propane utility. Large measurement error was found and corrected, after 25 years of non-detection.

Colorado Springs Gas - develop modules for DOT-mandated operator training program.

Colorado Clean Fuels - feasibility study and detailed cost estimate for 80 mile CO₂ pipeline to a methanol production plant.

South Park MHP - design gas distribution system for mobile home park, arrange for gas supply, negotiate with supplier utility.

Western Gas Resources - research, design, and implement program for testing for VOC leakage from large gas processing plants, to comply with EPA regulations.

Barrett Gas Resources - corrosion control program and training.

General Manager, Rocky Mountain Natural Gas

1988 to 1991

Managed the day-to-day operation of a mid-size regional utility (120 employees, 30,000 meters) serving resort communities in western Colorado. Administration, budgeting and long-term planning, engineering & technical supervision were bulk of duties.

Crested Butte, Colorado - feasibility studies, pipeline and distribution system design to convert ski resort town to natural gas. RMNG nearly completed the franchise procedure with town council and Colorado Public Utilities Commission. The project was abandoned by RMNG parent company but the project was carried out by a competing utility.

Strategic pipeline projects to increase capacity for future growth (numerous projects, \$10+ million): increased capacity, higher pressures, better metering and communications.

Director Tech Services, Rocky Mountain Natural Gas

1988 to 1991

Supervised the takeover and assimilation of RMNG as a new subsidiary of K N Energy, Inc. Responsible for engineering department, purchasing and material accounting, corrosion control and safety, transportation and communications department. Formulated new Standard Practices Manual for RMNG, completely overhauled measurement and telemetry systems, planned and executed numerous pipeline projects for the future.

For RMNG, major projects included:

Telluride, Colorado - permitting and planning to install a 40 mile pipeline and convert a propane distribution system to natural gas.

Crawford, Four Mile Creek, Singletree, Lake Creek, Cordillera - converted small towns and large rural subdivisions to natural gas. These projects had a very successful conversion rate even with many baseboard electric heating systems which are tough to convert.

Aspen upgrade: numerous 10" pipeline and storage re-configuring projects to enhance deliveries to Aspen area. Built new town border stations for Aspen, Basalt, Carbondale, Delta, Eagle, Gypsum, and others.

Director Tech Services, K N Energy, Inc.

1985 to 1986

Corrosion control, compressor performance testing, communications department.

Manager of Corrosion Control, K N Energy, Inc.

1982 to 1985

Corrosion control and DOT compliance for all operations of a 220,000 customer utility.

Project Engineer, K N Energy, Inc.

1980 to 1982

Project Engineer, Conoco, Inc.

1977 to 1980

Executive training program, various pipeline projects for natural gas and petroleum liquids.

Personal Data

b. 10-25-55, Manhattan, Kansas.

Married, father of two young men. Active Private Pilot.

Active in church, Rotary Club, local government, music & arts.

Current personal and professional references are available upon request.

Steven Shute, PE

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PROFESSIONAL SUMMARY

Natural Gas Distribution Executive with demonstrated proficiency in operations and marketing management, negotiations, strategic planning and P&L responsibilities in the natural gas utilities industry.

A sample of expertise and accomplishments include:

- Negotiating franchise agreements with local government officials.
- Public Relations expert dealing with public officials and news media.
- Marketing for market penetration and improved profitability.
- Led activities related to largest LDC “start-up” operation in the past 30 years.
- Negotiated contracts with customers with annual bills ranging up to \$700,000.
- Inspected contracts/installers work to assure compliance with operations/engineering specifications.

PROFESSIONAL EXPERIENCE

INDUSTRIAL GAS SERVICES, INC

2002-2005

Project Advisor

Worked as part of management team responsible for the construction of a 60 mile 12” gas transmission line in Southwest Oregon. Presently serving as project developer in Eastern Kentucky to acquire small gas distribution systems.

FRONTIER ENERGY, Elkin, NC

1996-2002

Director of Operations

Served Northwest North Carolina and Warren County in North Carolina with natural gas. At the time of initial start-up, it was the largest Greenfield Gas Project in the US in the past 30 years.

- Negotiated franchise agreements with the local communities and contracts for service with all customers.
- Successfully handled all governmental relations.
- Handled all media and community relation’s issues.
- Improved efficiency and reduced cost by advising on optimal route selection.

ORANGE TRUSS CO., Mebane, NC

1987-1996

Director of Operations/Chief Operating Partner, Manufacturing Facility

Led all operations, marketing and P&L decision-making responsibilities for operation.

PIEDMONT NATURAL GAS COMPANY, Charlotte, NC

1966-1987

Public utility engaged in the distribution and sale of natural gas with over 675,000 residential, commercial and industrial customers with sales in excess of \$1,100MM.

Greensboro District Manager, Greensboro, NC

Responsible for the development of maximum contribution within a given geographical area through effective utilization of natural and financial resources, plant facilities, personnel and customer relations. Managed 100 employees with operating and capital budget of over \$4.5MM.

- Increased natural gas sales by attaining a 26% gain in customers on existing and new distribution lines.
- Improved productivity of sales force by establishing a budgeted approach to the sales effort.

- Established and maintained effective relations with governmental officials at all levels.
- Built confidence with builders and developers with flexible and accommodating approach to their needs.
- Reduced district manning by streamlining business office to re-evaluating service people area assignments.
- Established a standard cost approach to jobbing activities.
- Expanded distribution lines into remote but heavily populated and growing areas.
- Supervised credit and collections policy that encourages sales, while maintaining gas, jobbing and merchandise charge-offs at an acceptable level.

High Point District Manager, High Point, NC

Managed district office with total operations and P&L responsibilities.

- Gained wide acceptance of natural gas as a dependable fuel within furniture industry where it had not been widely used previously.
- Directed the successful start-up of a propane plant.
- Shepherded district through energy shortage and successfully maintained customer base.
- Successful in handling customer complaints and employee grievances without compromising companies needs.

Office Manager, High Point, NC

Responsible for billings and collections for over 15,000 customers. Managed staff of 12, training them in data processing billing system.

Accounts Representative, Greensboro, NC

Administrative collection policy and customer inquires regarding billing and services.

Service Representative, Asheboro, NC

Installed and repaired gas appliances, read meters and performed field collections.

ADDITIONAL WORK EXPERIENCE

- Frontier Energy, Elkin, NC
- Western Gas, Edenton, NC
- Orange Truss Co., Inc., Mebane, NC
- Frontier Utilities, Denver, CO
- Heath and Associates, Shelby, NC
- Piedmont Natural Gas Co., Inc., Charlotte, NC

EDUCATION / PROFESSIONAL DEVELOPMENT

MBA, Wake Forest University, Winston-Salem, NC

B.S. Management, Guilford College, Greensboro, NC

Center for Creative Leadership, Greensboro, NC

Southern Gas Association Seminars

Southeastern Gas Association Seminars

PROFESSIONAL LICENSES

North Carolina Contractor

North Carolina Broker

PROFESSIONAL AFFILIATIONS

- Rotary Club
- Board of Realtors
- Home Builders Association
- United Way Budget Panel
- American Red Cross
- Jaycees
- Multiple Sclerosis Society
- Chamber of Commerce, Greensboro & High Point
- Salvation Army Board of Directors
- Guilford College Business & Industry Campaign
- Manpower Development Council for County & City
- City of Asheboro Recreation Planning Committee

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THIS SECURITY AGREEMENT AND MORTGAGE made and entered into this 3rd day of MAY, 2005 by and between Mike Little Gas Company, Inc., hereinafter referred to as the Debtor, and the Commonwealth of Kentucky, acting by and for the use and benefit of the Governor's Office for Local Development, 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky, 40601, hereinafter referred to as the Secured Party:

WITNESSETH:

WHEREAS, the Debtor has applied, been approved for and received a loan from the Secured Party's Gas System Restoration Project Account, hereinafter referred to as GSRP Account, in the amount of one hundred thirty thousand, four hundred and eleven dollars (\$130,411.66) with interest to run thereon at the rate of 4 percent, compounded annually for thirty years from January 1st, 2006, and

WHEREAS, as a prerequisite to the receipt of the loan funds, the Debtor agreed to and executed CONDITIONS OF LOAN TO MIKE LITTLE GAS, INC., a true copy of which is attached hereto and marked as SECURITY AGREEMENT EXHIBIT A, hereinafter referred to as Conditions, and

WHEREAS, paragraph ten of said Conditions provides that the Secured Party shall have as security for the loan a lien on all the assets and future earnings of Mike Little Gas Company, Inc., and

WHEREAS, the Debtor has executed this date a promissory note as evidence of the debt secured by this Security Agreement and Mortgage and now wishes to execute this Security Agreement and Mortgage granting, releasing, assigning, transferring, pledging, and conveying to the Secured Party the lien as required by said Conditions,

NOW, THEREFORE, in consideration of the foregoing premises and the covenants herein contained and other valuable consideration, the receipt of which is hereby acknowledged, and in order to effectuate the aforesaid mortgage lien security interest to the Secured Party, the parties hereto hereby mutually agree, covenant, and bind themselves as follows:

1. In order to secure the performance of a promissory note of even date herewith, the Debtor hereby grants, releases, assigns, transfers, pledges, conveys and mortgages to the Secured Party a mortgage/lien and security interest in all property, both real and personal, tangible and intangible, as listed on the schedule of property attached hereto and marked as SECURITY AGREEMENT EXHIBIT B, SCHEDULE OF MORTGAGED PROPERTY AND COLLATERAL, said listing comprising all of the assets of Mike Little Gas Company, Inc.
2. The Debtor hereby ratifies and reaffirms the terms and conditions set out in the attached Conditions, said Conditions constituting covenants of this Security Agreement and the note secured thereby, and breach of these Conditions, and or failure to timely make any installment payment as set out herein, or breach of any other covenant as contained herein or contained in the note secured hereby, shall constitute default and a material breach of the terms hereof for which the Secured Party may proceed to enforce its right hereunder

and under the terms of the promissory note secured hereby by initiating foreclosure proceedings as provided by law, at the option of the Secured Party.

3. It is covenanted and agreed that under the terms of this agreement and the note secured hereby, time of performance shall be of the essence.
4. The Debtor shall insure all of the property secured by this Security Agreement with companies acceptable to the Secured Party against such casualties as Debtor may be liable therefore and in such amounts as Secured Party shall require in writing subsequent to this agreement. The insurance shall be for the benefit of the Debtor and the Secured Party as their interest may appear. The Secured Party is hereby authorized to collect from the insurance company any amount that may become due under any of such insurance, and the Secured Party may apply the same to the obligations hereby secured, applying the same first to interest with the balance applied to principal.
5. The Debtor shall pay promptly when due all taxes and assessments levied on any of the property used as security in this agreement or on its use and operation.
6. The Debtor will not suffer or permit any waste, impairment, deterioration, removal or demolition of the mortgaged property or any part thereof, other than what is necessary in the ordinary course of business, and will keep its properties in good repair, working order and condition and from time to time will make all needed and proper repairs, and improvements thereto so that the business carried on by the Debtor may be properly and advantageously conducted at all times in accordance with the rules and regulations of the Public Service Commission.
7. The Secured Party shall have the right to examine and inspect the property used as security herein at any reasonable time.
8. This agreement and the note secured hereby shall be construed according to the applicable laws of the state of Kentucky and all obligations of the parties created hereunder are to be performed in the state of Kentucky.
9. Failure of the Secured Party to exercise any right or remedy, including by not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the Debtor nor the right or rights of the Secured Party or a waiver of any other similar default subsequently occurring.

TO HAVE AND TO HOLD all the property and assets of Mike Little Gas Company, Inc., both real and personal, tangible and intangible including but not limited by reason of enumeration, future and or contingent interest of the Debtor, as hereinbefore set out in the attached exhibit, unto the Secured Party, its heirs and assigns, forever with the Debtor's warranty that the property herein listed constitutes all of the property of Mike Little Gas Company, Inc. and that, other than notes held by Equitable Energy LLC, Smith, Goolsby, Art, and Reams, and First Commonwealth Bank, which notes have been made known by the Debtor to the Secured Party, there exist no other financing statements or mortgages, or lines covering said property or any part thereof or interest therein.

IN TESTIMONY WHEREOF, witness the signature of the President of
Mike Little Gas Company, Inc., on behalf of said corporation.

MIKE LITTLE GAS COMPANY, INC.

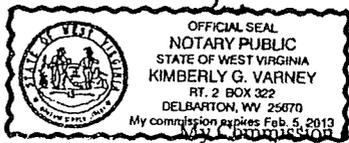
BY: 
Miki Thompson
President

COMMONWEALTH OF KENTUCKY
KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT
GAS SYSTEM RESTORATION PROJECT BOARD

BY: 

West Virginia
STATE OF ~~KENTUCKY~~
COUNTY OF ~~FLOYD-MINGO~~

Before me, Kimberly G. Varney, a notary public in and for the state and county aforesaid this day personally appeared MIKI THOMPSON, being and known to me as President of MIKE LITTLE GAS COMPANY, INC., a Kentucky corporation, and acknowledged that she, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing SECURITY AGREEMENT AND MORTGAGE on behalf of the aforesaid corporation, and said agreement was executed and is the free and voluntary act and deed of MIKE LITTLE GAS COMPANY, INC., for the uses and purposes set forth therein; this 3rd day of May, 2005.



Kimberly G. Varney
Notary Public, State of ~~Kentucky~~
West Virginia

My Commission expires Feb. 5, 2013.

STATE OF KENTUCKY
COUNTY OF FRANKLIN

Before me, Mary Palmer, a notary public in and for the state and county aforesaid this day personally appeared Jody Hughes, being and known to me as the Executive Director of the Kentucky Infrastructure Authority, administering agency of the Gas System Restoration Program, and acknowledged that he, as the duly authorized representative and agent for the aforesaid department and board, is authorized to execute the foregoing SECURITY AGREEMENT AND MORTGAGE with Mike Little Gas Company, Inc. for the uses and purposes set forth therein; this 15th day of February, 2006.

Mary Palmer
Notary Public, State of Kentucky

My Commission expires: 8/25/2009.

CONDITIONS OF LOAN TO MIKE LITTLE GAS COMPANY

The undersigned Mike Little Gas Company., (hereinafter referred to as gas system), being a natural gas distribution system operated wholly within the Commonwealth of Kentucky, and having received a loan from the Gas System Restoration Project Account (hereinafter referred to as GSRP Account) in the amount of \$130,411.66, hereby agrees to the following terms as a condition of said loan:

1. The gas system shall be brought into and remain in compliance with all rules, regulations and safety standards of the Kentucky Public Service Commission (hereinafter referred to as FSC).
 - a. All construction shall be carried out in conformance with plans, specifications and documents previously approved by PSC until said construction is completed.
 - b. Gas system personnel shall assist and cooperate with PSC staff in conducting inspections of the gas system during the term of the loan.
2. Gas system loan application and/or engineering plans and specifications shall be submitted to the Environmental and Public Protection Cabinet for review and approval prior to construction.
3. KRS Chapter 45A, Kentucky Model Procurement Code, shall govern all contracts for construction financed by project funds. A list of all bids received shall be submitted to the Kentucky Infrastructure Authority prior to acceptance of a bid.
3. Proceeds of the loan shall be used for [CONSTRUCTION, REHABILITATION, ETC.] as described in the loan application, and for no other purpose without the express written permission of the GSRP board.
4. Payment of proceeds of the loan for construction shall be in the form of progress payments to the contractor or engineer from the GSRP Account.

RECEIVED
 2004 DEC -2 A 8:51
 KENTUCKY INFRASTRUCTURE AUTHORITY

- a. Contractor or gas system owner/operator shall submit to the Kentucky Infrastructure Authority the contractor's statement detailing the work performed and the amount due, as approved by the project engineer.
 - b. Fifteen percent (15%) of the amount of each construction pay estimate shall be withheld until all work is completed in accord with approved plans and specifications to the satisfaction of PSC and the project engineer.
 - c. Gas system owner/operator shall submit invoices for engineering inspection services or other construction-related costs to the Kentucky Infrastructure Authority for payment.
5. The annual amount due GSRP Account from Gas System on this loan may be made payable in monthly installments which shall reflect the following percentages of total annual amount due: January – April, 14.5% per month; May – June, 7.0% per month; July – October, 3.5% per month; and November – December, 7.0% per month. Payment of principal and interest shall begin June 2005. 2006
 6. If ownership of the gas system is transferred by sale before repayment of this loan, the entire amount of outstanding principal and interest due shall be repaid before completion of the sale transaction.
 7. Gas system shall place three percent (3%) of its annual gross revenue in an escrow account for replacement or emergency repair of equipment until fifty thousand dollars and no cents (\$50,000.00) is accrued and the percentage may be reduced thereafter provided said amount is maintained in the escrow amount.
 - a. Gas system must petition for and gain written approval from the GSRP Account Review Board before funds may be withdrawn from its escrow account for any purpose.
 8. Gas system shall assist and cooperate with KIA staff in conducting semi-annual audits of the gas system.

- a. The auditor shall determine compliance of the gas system with the conditions of this document.
 - b. Audit reports shall include a narrative and shall be submitted to the gas system, PSC, GSRP Account Review Board, and such others as may be deemed appropriate by KIA.
 - c. The audit shall list and locate all extensions and service connections to the system constructed since the previous report.
 - d. Gas system shall take all necessary action to correct noncompliance with the conditions of this document, if any, before the next management audit is scheduled to be performed.
9. As security for the loan the Commonwealth of Kentucky shall have a lien on all assets and future earnings of the gas system, and said lien shall be superior to all others.
- a. In the event of substantial noncompliance by the gas system with any of the terms and conditions of this loan, the Commonwealth of Kentucky, Kentucky Infrastructure Authority shall have the right to initiate foreclosure proceedings as provided by law upon thirty days' written notice to the gas system.
10. Gas System shall not discriminate in employment, operation or contractual activities on the ground of race, color, national origin, sex, religion, age or disability.
11. Public liability insurance shall be maintained for the term of the loan by the gas system to conform with their limits of the current policy or at the determination of the board, and the Commonwealth of Kentucky shall be named on said policy as an additional insured.
12. The gas system operator shall meet all requirements of the Davis-Bacon Act.
- a. The gas system shall assure that prevailing wages as determined by the U.S. Department of Labor are paid to workers hired specifically to perform activities funded by this loan.

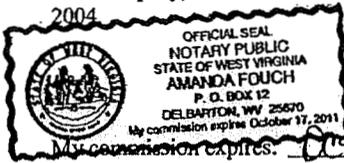
- b. The gas system shall assure that these wages are paid onsite, and weekly.
 - c. The gas system shall assure that the wage scale shall be posted in the place of work.
13. Gas system operator shall sign and adhere to the provisions set forth in the following forms (attached hereto):
- a. Form ED-524, "Certification of Compliance with the Clean Air Act and the Federal Water Pollution Control Act."
 - b. Form ED-501A, "Certification of Non Relocation."
 - c. Form ED-168, "Relocation and Land Acquisition Certificate."
 - d. Form ED-503, "Assurances of Compliance with the Department of Commerce and Economic Development Administration Regulations under Title VI of the Civil Rights Act of 1964 and the Public Law 92-65."
 - e. Form ED-612, "Current and Projected Job Opportunities."

THE MIKE LITTLE GAS COMPANY

By: *Miki Thompson*
 Ms. Miki Thompson
 President

State of West Virginia
 Commonwealth of Kentucky
 County of *Mingo: ta-wit:*

Before me *Amanda Fouch* a notary public, in and for the State and County aforesaid, this day personally appeared Ms. Miki Thompson, President of The Mike Little Gas Company, a corporation, and acknowledged that she, as a duly authorized representative of the aforesaid company, having been authorized by resolution of the corporation's Board of Directors, executed the foregoing Schedule of Mortgaged Property and Collateral (Schedule), on behalf of the foregoing company, and said Schedule was executed as and is the free and voluntary act and deed of the Mike Little Gas Company, for the uses and purposes set forth therein; this *29th* day of *November*



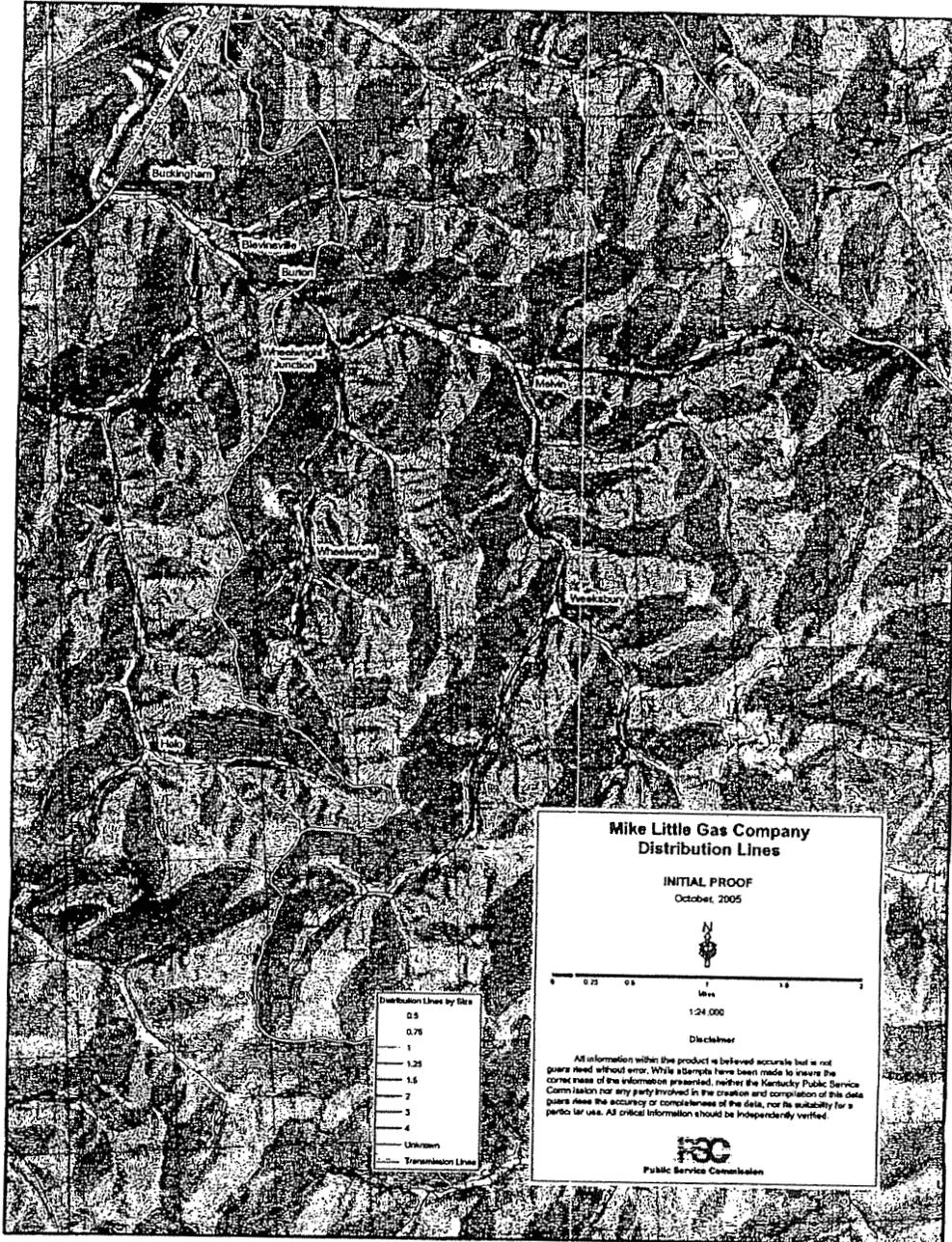
Amanda Fouch
 Notary Public

My commission expires *October 17, 2011*

EXHIBIT B

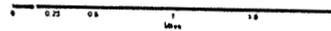
SCHEDULE OF MORTGAGED PROPERTY AND COLLATERAL

The property mortgaged herein comprises all the assets of Mike Little Gas Company, Inc., including but not limited too all wells, mains, lines, valves, regulators, meters, service connections, regulator stations, and related equipment and appurtenances, owned and used by Mike Little Gas Company, Inc. in the service of natural gas to approximately 451 customers located in the town of Melvin and vicinity, including all easements and rights-of-way for its mains and services.



**Mike Little Gas Company
Distribution Lines**

INITIAL PROOF
October, 2005



1:24,000

Disclaimer

All information within this product is believed accurate but is not guaranteed without error. While attempts have been made to insure the correctness of the information presented, neither the Kentucky Public Service Commission nor any party involved in the creation and compilation of this data guarantees the accuracy or completeness of the data, nor its suitability for a particular use. All critical information should be independently verified.



Public Service Commission

Distribution Lines by Size	
0.5	—
0.75	—
1	—
1.25	—
1.5	—
2	—
3	—
4	—
Unknown	—
Transmission Line	—

RECEIVED

PROMISSORY NOTE

2005 FEB 21 A 10: 26
 Mike Little Gas Company, Inc., (the Debtor) for and in consideration of a loan in the amount of \$130,411.66, the receipt of which \$17,456.88 is hereby acknowledged, and in consideration of periodic progress payments of the remainder of this loan in the amount of \$112,954.78 as described in the Security Agreement and Mortgage executed with this note, does hereby promise to pay to the order of the Commonwealth of Kentucky, acting by and for the use and benefit of the Governor's Office for Local Development' Gas System Restoration Project Account, payable at the offices of the Governor's Office for Local Development (the Secured Party), 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky, 40601, the principal amount of \$130,411.66, with interest to run thereon at a rate of 4 percent compounded annually from January 1, 2006, to be paid in annual installment payments in the amount of \$7,541.72 for thirty years, with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment due and payable on the first day of January, 2006, and the remaining annual installment payments being due and payable on the first day of January thereafter for twenty-nine years, the final payment of interest and principal due and payable on the first day of January, 2036. An escrow account shall be maintained by the Secured Party for the Debtor into which the Debtor shall make twelve monthly installment payments yearly for purposes of accumulating sufficient funds to meet and be applied to the annual installment payments of interest and principal as hereinbefore stated, said monthly escrow installment payments to be made as follows: first, second, third, and fourth monthly escrow payments in the amount of \$1093.55 due and payable respectively on the 10th day of January, February, March, and April, 2006, and the remaining January, February, March, and April escrow installment payments of \$1093.55 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of January, February, March, and April, thereafter for twenty-nine years; fifth and sixth monthly escrow installment payments in the amount of \$527.92 due and payable respectively on the 10th day of May and June, 2006, and the remaining May and June escrow installment payments of \$527.92 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of May and June thereafter for twenty-nine years; seventh, eighth, ninth, and tenth monthly escrow installment payments in the amount of \$263.96 due and payable respectively on the 10th day of July, August, September, and October 2006 and the remaining July, August, September, and October escrow installment payments of \$263.96 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of July, August, September, and October thereafter for twenty-nine years; eleventh and twelfth monthly escrow installment payments in the amount of \$527.92 due and payable respectively on the 10th day of November and December 2006, and the remaining November and December escrow installment payments of \$527.92 for each subsequent year during the life of the loan, being due and payable respectively on the 10th of November and December thereafter for twenty-nine years with the final monthly escrow installment payment due and payable on the 10th day of December 2035. The twelve monthly escrow installment payments, accumulating \$7541.72 in each of the thirty years, shall be applied by the

Secured Party to the Debtor's annual payment of interest and principal on the first day of January for each year during the life of the loan as hereinbefore stated.

This note is the note referred to and secured by a Security Agreement and Mortgage of even date herewith on real and personal property comprising all the assets of Mike Little Gas Company, Inc. as described in said mortgage of record in the office of the clerk of the county court of Floyd County, Kentucky, and the terms of said mortgage are hereby made part hereof and included herein by reference as if set out in full, the same being adopted, ratified, and confirmed as if set anew herein.

If Mike Little Gas Company, Inc. shall fail to pay any installment when first due and payable, or breach any of the terms and conditions of this note and/or the Security Agreement and Mortgage securing the repayment of the same, all of said terms and conditions being considered material to this transaction the breach of which shall constitute default, the holder or holders of this note may declare all of the remaining installments fully due and payable at once without notice or demand, the same as if said remaining installments were then fully due and payable, the time for payment having been accelerated at the option of the holder or holders of this note by reason of said default, and the holder or holders of this note may proceed to enforce their rights under the terms and conditions of this note and the Security Agreement and Mortgage which secures the repayment of the same by initiating foreclosure proceedings as provided by said terms or as provided by law, at the option of the aforesaid holder or holders.

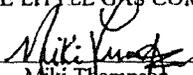
Failure of the holder or holders of this note to exercise any right or remedy, including but not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of obligation of Mike Little Gas Company, Inc., or a waiver of the right or rights of the holder or holders of this note or constitute a waiver of any other similar breach of default subsequently occurring.

The undersigned, drawers and endorsers, severally waive presentment for payment, protest, demand and notice of protest, dishonor or non-payment.

IN TESTIMONY WHEREOF, witness the hand of the duly authorized agent, officer and representative of Mike Little Gas Company, Inc., on behalf of said corporation.

MIKE LITTLE GAS COMPANY, INC.

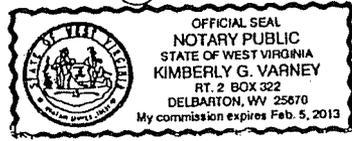
BY:


Miki Thompson
President

STATE OF KENTUCKY

COUNTY OF FLOYD

Before me, Kimberly G. Varney, a notary public in and for the state and county aforesaid this day personally appeared MIKI THOMPSON, being and known to me as President of MIKE LITTLE GAS COMPANY, INC., a Kentucky corporation, and acknowledged that she, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid corporation, and said note was executed and is the free and voluntary act and deed of MIKE LITTLE GAS COMPANY, INC., for the uses and purposes set forth therein; this 30 day of May, 2005.



Kimberly G. Varney
Notary Public, State of Kentucky

My Commission expires: Feb 5, 2013

RECEIVED

PROMISSORY NOTE

2005 FEB 21 A 10: 26
Mike Little Gas Company, Inc., (the Debtor) for and in consideration of a loan in the amount of \$130,411.66, the receipt of which \$17,456.88 is hereby acknowledged, and in consideration of periodic progress payments of the remainder of this loan in the amount of \$112,954.78 as described in the Security Agreement and Mortgage executed with this note, does hereby promise to pay to the order of the Commonwealth of Kentucky, acting by and for the use and benefit of the Governor's Office for Local Development' Gas System Restoration Project Account, payable at the offices of the Governor's Office for Local Development (the Secured Party), 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky, 40601, the principal amount of \$130,411.66, with interest to run thereon at a rate of 4 percent compounded annually from January 1, 2006, to be paid in annual installment payments in the amount of \$7,541.72 for thirty years, with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment due and payable on the first day of January, 2006, and the remaining annual installment payments being due and payable on the first day of January thereafter for twenty-nine years, the final payment of interest and principal due and payable on the first day of January, 2036. An escrow account shall be maintained by the Secured Party for the Debtor into which the Debtor shall make twelve monthly installment payments yearly for purposes of accumulating sufficient funds to meet and be applied to the annual installment payments of interest and principal as hereinbefore stated, said monthly escrow installment payments to be made as follows: first, second, third, and fourth monthly escrow payments in the amount of \$1093.55 due and payable respectively on the 10th day of January, February, March, and April, 2006, and the remaining January, February, March, and April escrow installment payments of \$1093.55 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of January, February, March, and April, thereafter for twenty-nine years; fifth and sixth monthly escrow installment payments in the amount of \$527.92 due and payable respectively on the 10th day of May and June, 2006, and the remaining May and June escrow installment payments of \$527.92 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of May and June thereafter for twenty-nine years; seventh, eighth, ninth, and tenth monthly escrow installment payments in the amount of \$263.96 due and payable respectively on the 10th day of July, August, September, and October 2006 and the remaining July, August, September, and October escrow installment payments of \$263.96 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of July, August, September, and October thereafter for twenty-nine years; eleventh and twelfth monthly escrow installment payments in the amount of \$527.92 due and payable respectively on the 10th day of November and December 2006, and the remaining November and December escrow installment payments of \$527.92 for each subsequent year during the life of the loan, being due and payable respectively on the 10th of November and December thereafter for twenty-nine years with the final monthly escrow installment payment due and payable on the 10th day of December 2035. The twelve monthly escrow installment payments, accumulating \$7541.72 in each of the thirty years, shall be applied by the

Secured Party to the Debtor's annual payment of interest and principal on the first day of January for each year during the life of the loan as hereinbefore stated.

This note is the note referred to and secured by a Security Agreement and Mortgage of even date herewith on real and personal property comprising all the assets of Mike Little Gas Company, Inc. as described in said mortgage of record in the office of the clerk of the county court of Floyd County, Kentucky, and the terms of said mortgage are hereby made part hereof and included herein by reference as if set out in full, the same being adopted, ratified, and confirmed as if set anew herein.

If Mike Little Gas Company, Inc. shall fail to pay any installment when first due and payable, or breach any of the terms and conditions of this note and/or the Security Agreement and Mortgage securing the repayment of the same, all of said terms and conditions being considered material to this transaction the breach of which shall constitute default, the holder or holders of this note may declare all of the remaining installments fully due and payable at once without notice or demand, the same as if said remaining installments were then fully due and payable, the time for payment having been accelerated at the option of the holder or holders of this note by reason of said default, and the holder or holders of this note may proceed to enforce their rights under the terms and conditions of this note and the Security Agreement and Mortgage which secures the repayment of the same by initiating foreclosure proceedings as provided by said terms or as provided by law, at the option of the aforesaid holder or holders.

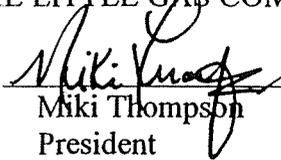
Failure of the holder or holders of this note to exercise any right or remedy, including but not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of obligation of Mike Little Gas Company, Inc., or a waiver of the right or rights of the holder or holders of this note or constitute a waiver of any other similar breach of default subsequently occurring.

The undersigned, drawers and endorsers, severally waive presentment for payment, protest, demand and notice of protest, dishonor or non-payment.

IN TESTIMONY WHEREOF, witness the hand of the duly authorized agent, officer and representative of Mike Little Gas Company, Inc., on behalf of said corporation.

MIKE LITTLE GAS COMPANY, INC.

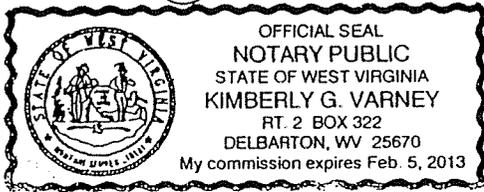
BY: _____


Miki Thompson
President

STATE OF KENTUCKY

COUNTY OF FLOYD

Before me, Kimberly G. Varney, a notary public in and for the state and county aforesaid this day personally appeared MIKI THOMPSON, being and known to me as President of MIKE LITTLE GAS COMPANY, INC., a Kentucky corporation, and acknowledged that she, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid corporation, and said note was executed and is the free and voluntary act and deed of MIKE LITTLE GAS COMPANY, INC., for the uses and purposes set forth therein; this 3rd day of May, 2005.



Kimberly G. Varney
Notary Public, State of Kentucky

My Commission expires: Feb 5, 2013.

Filed 12-27-01

11:15 AM

James C. Williams - Clerk

BK46
P. 507

Amended and Restated Mortgage and Security Agreement

THIS MORTGAGE AND SECURITY AGREEMENT made and entered into this 21 day of Dec, 2001, by and between ELAM UTILITY COMPANY, INC., a Kentucky corporation with principal offices located at 459 Main Street, West Liberty, Kentucky 41472, hereinafter referred to as Mortgagor; and the COMMONWEALTH OF KENTUCKY, acting by and for the use and benefit of the Department for Local Government, 1024 Capital Center Drive, Suite #340, Frankfort, Kentucky 40601, hereinafter referred to as the Mortgagee;

WITNESSETH:

WHEREAS, the Mortgagor has applied and been approved for a third loan from the Mortgagee's Gas Systems Restoration Project Account, hereinafter referred to as GSRP Account, in the amount of One Hundred Ninety Thousand Dollars and Three Cents (\$190,000.03), with interest to run thereon at the rate of 4.0%, compounded annually for 30 years from February 1, 2002; and

WHEREAS, as a prerequisite to the receipt of the loan funds, Mortgagor agrees to and shall execute a Mortgage and Security Agreement in the office of the Morgan County Clerk, Kentucky, including therein an executed CONDITIONS OF LOAN TO ELAM UTILITY COMPANY, INC., and an executed Promissory Note, all as evidence of the loan and for the use and benefit of the Mortgagee; and

WHEREAS, said Conditions provides that the Mortgagee shall have as security for the loan a lien on all Mortgagor's assets and future earnings; and

WHEREAS, the Mortgagor currently has two additional Mortgages on the said property with the Mortgagee, with the two Mortgages to be found in the Morgan County Clerk's office; and

WHEREAS, the original Mortgage has an outstanding balance of Four Hundred Twenty-Seven Thousand Four Hundred Twenty-Four Dollars and Ninety-Seven Cents (\$427,424.97); and

restated Mortgage amount of Seven Hundred Ninety-Seven Thousand Four Hundred Twenty-Five Dollars and No Cents (\$797,425.00).

NOW, THEREFORE, in consideration of the foregoing promises and the covenants herein contained and other valuable consideration, the receipt of which is hereby acknowledged, and in order to continue the aforesaid mortgage lien security interest to the Mortgagee under the new terms as agreed, the parties hereto hereby mutually agree, covenant and bind themselves as follows:

1. This Amended and Restated Mortgage and Security Agreement is executed by the Mortgagor in order to secure the performance of a promissory note of even date herewith in the principal amount of Seven Hundred Ninety-Seven Thousand Four Hundred Twenty-Five Dollars and No Cents (\$797,425.00), with interest to run thereon at the rate of 4.000% compounded annually from February 1, 2002, to be paid in annual installment payments in the amount of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12), with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment in the amount of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12), due and payable on the first day of February, 2003, and the remaining annual installment payments of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12) for each subsequent year during the life of the loan being due and payable on the first day of February thereafter for twenty-nine years with a final installment payment of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12) being due and payable on the first day of February, 2032. A non-interest bearing escrow account shall be maintained by the Mortgagee for the Mortgagor into which the Mortgagor shall make all monthly installment payments yearly for purposes of accumulating sufficient funds to meet and be applied to the annual installment payments of interest and principal as hereinbefore stated, said monthly escrow installment payments to be made as follows: January, February, March and April escrow installment payments each in the amount of Six Thousand Six Hundred Eighty-Six

January, the first day of February, the first day of March and the first day of April thereafter for twenty-nine years; the May and June escrow installment payments each in the amount of Three Thousand Two Hundred Twenty Eight Dollars and Six Cents (\$3,228.06) each, due and payable respectively on the first day of May and the first day of June, 2002, and the remaining May and June payments each of Three Thousand Two Hundred Twenty-Eight Dollars and Six Cents (\$3,228.06) for each subsequent year during the life of the loan being due and payable respectively on the first day of May and the first day of June thereafter for twenty nine years; the July, August, September and October installment payments each in the amount of One Thousand Six Hundred Fourteen Dollars and Three Cents (\$1,614.03) each, due and payable respectively on the first day of July, the first day of August, the first day of September and the first day of October, 2002, and the remaining July, August, September and October payments each of One Thousand Six Hundred Fourteen Dollars and Three Cents (\$1,614.03) for each subsequent year during the life of the loan being due and payable respectively on the first day of July, the first day of August, the first day of September and the first day of October thereafter for twenty nine years; the November and December escrow installment payments each in the amount of Three Thousand Two Hundred Twenty-Eight Dollars and Six Cents (\$3,228.06) each, due and payable respectively on the first day of November and the first day of December, 2002, and the remaining November and December payments each of Three Thousand Two Hundred Twenty-Eight Dollars and Six Cents (\$3,228.06) for each subsequent year during the life of the loan being due and payable respectively on the first day of November and the first day of December thereafter for twenty nine years. All monthly escrow installment payments shall be applied by the Mortgagee to the Mortgagor's annual payment of interest and principal during the life of the loan as hereinbefore stated. The Mortgagor hereby places a lien and security interest in all property, both real and personal, tangible and intangible, as listed on the schedule of property attached and incorporated herein to this Mortgage and Security Agreement as Exhibit B, said listing comprising all of the Mortgagor's assets.

out herein, or breach of any other covenant as contained herein or contained in the note secured hereby, shall constitute default and a material breach of the terms hereto for which the Mortgagee may proceed to enforce its rights hereunder and under the terms of the promissory note secured hereby initiating foreclosure proceedings as provided herein or as provided by law, at the option of the Mortgagee.

3. It is covenanted and agreed that under the terms of this agreement and note secured hereby, time of performance shall be of the essence.

4. It is further covenanted and agreed that the Mortgagor will not, without the written consent of the Mortgagee, sell, contract to sell, lease, encumber, or otherwise dispose or alienate any of the property used as security in this agreement or any interest therein, other than what is necessary in the ordinary course of business, until the terms and conditions of this Mortgage and Security Agreement and of the note and/or notes secured hereby have been fully satisfied.

5. The Mortgagor shall insure all of the property secured by this Mortgage and Security Agreement with companies acceptable to the Mortgagee against such casualties and in such amounts as the Mortgagee shall require in writing subsequent to this agreement. The insurance shall be for the benefit of the Mortgagor and the Mortgagee as their interest may appear. The Mortgagee is hereby authorized to collect from the insurance company any amount that may become due under any of such insurance, and the Mortgagee may apply the same to the obligations hereby secured, applying the same first to interest with the balance applied to principal.

6. The Mortgagor shall pay promptly when due all taxes and assessments levied on any of the property used as security in this agreement or on its use and operation.

7. The Mortgagor will not suffer or permit any waste, impairment, deterioration, removal or demolition of the mortgaged property or any part thereof, other than what is necessary in the ordinary course of business, and will keep its properties in good repair, working order and condition and from time to time will make all needed and proper repairs, and improvements

Mortgagor's premises in the event of default. For purposes of removal and possession of said property, the Mortgagee may enter any premises of the Mortgagor without legal process, and the Mortgagor hereby waives and releases the Mortgagee of and from any and all claims in connection therewith or rising therefrom.

9. This agreement and the note secured hereby shall be construed according to the applicable laws of the Commonwealth of Kentucky and all obligations of the parties created hereunder are to be performed in the Commonwealth of Kentucky.

10. Failure of the Mortgagee to exercise any right or remedy, including but not limited by reason or enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the Mortgagor nor the right or rights of the Mortgagee or a waiver of any other similar default subsequently occurring."

11. A map of the Elam Utility Company, Inc. Distribution Gas Lines, Revised 1999 is attached to this Amended and Restated Mortgage and Security Agreement as Exhibit C.

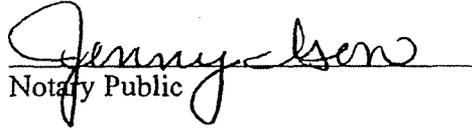
TO HAVE AND TO HOLD all the property and assets of the Mortgagor, both real and personal, tangible and intangible, including but not limited by reason of enumeration, future and/or contingent interest of the Mortgagor, as hereinbefore set out in the attached exhibit, unto the Mortgagee, its heirs and assigns, forever with the Mortgagor's warranty that the property herein listed constitutes all of the Mortgagor's property and that no other financing statement or mortgage covering said property or any part thereof or interest therein has been executed by the Mortgagor and/or filed and recorded in any public office except for the Security Agreement and Mortgage amended by this Agreement.

IN TESTIMONY WHEREOF, witness the signature of the Chief Executive Officer of the Mortgagor, on behalf of said corporation.

ELAM UTILITY COMPANY, INC.

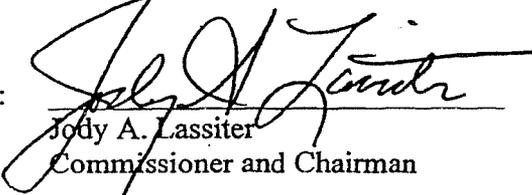
BY: *Hilma B. Bow*
President

Elam Utility Company, Inc., for the uses and purposes set forth therein; this 19th day of December, 2001.

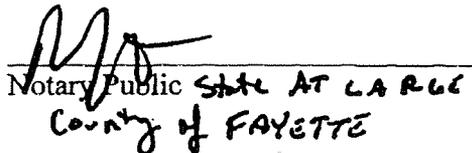

Notary Public

My commission expires: 03/15/2003

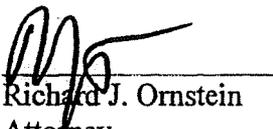
**COMMONWEALTH OF KENTUCKY
DEPARTMENT FOR LOCAL GOVERNMENT
GAS SYSTEM RESTORATION PROJECT ACCOUNT REVIEW BOARD**

BY: 
Jody A. Lassiter
Commissioner and Chairman

Before me Richard J. Ornstein, a notary public, in and for the State and County aforesaid, this day personally appeared Jody A. Lassiter, being and known to me to be the Commissioner of the Department for Local Government and Chairman of the Kentucky Gas System Restoration Project Account Review Board, and acknowledged that he, as the duly authorized representative and agent of the aforesaid department and board, is authorized to execute the foregoing Mortgage and Security Agreement with Elam Utility Company, Inc., for the uses and purposes set forth therein; this 21 day of Dec, 2001.


Notary Public STATE AT LARGE
County of FAYETTE

My commission expires: 06/25/03

This instrument prepared by: 
Richard J. Ornstein
Attorney
Department for Local Government
1024 Capital Center Drive #340
Frankfort, Kentucky 40601
(505) 573-2382

PROMISSORY NOTE

Elam Utility Company, Inc., a Kentucky corporation, with principal offices located at 459 Main Street, West Liberty, Kentucky 41472, hereinafter referred to as "Maker", this 21 day of Dec, 2001, for and in consideration of a new loan in the amount of One Hundred Ninety Thousand Dollars and Three Cents (\$190,000.03) to be combined with two prior loans with remaining balances in the amounts of Four Hundred Twenty-Seven Thousand Four Hundred Twenty-Four Dollars and Ninety-Seven Cents (\$427,424.97) and One Hundred Eighty Thousand Dollars and No Cents (\$180,000.00) for a new loan total of Seven Hundred Ninety-Seven Thousand Four Hundred Twenty-Five Dollars and No Cents (\$797,425.00), the receipt of which is hereby acknowledged, does hereby promise to pay to the order of the Commonwealth of Kentucky, hereinafter referred to as the Commonwealth, acting by and for the use and benefit of the Department for Local Government's Gas System Restoration Project Account, payable at the offices of the Department for Local Government, 1024 Capital Center Drive #340, Frankfort, Franklin County, Kentucky 40601, in the principal amount of Seven Hundred Ninety-Seven Thousand Four Hundred Twenty-Five Dollars and No Cents (\$797,425.00), with interest to run thereon at a rate of 4.000% compounded annually from February 1, 2002, to be paid in annual installment payments in the amount of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12), with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment in the amount of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12), due and payable on the first day of February, 2003, and the remaining annual installment payments of Forty-Six Thousand One Hundred Fifteen Dollars and Twelve Cents (\$46,115.12) for each subsequent year during the life of the loan being due and payable on the first day of February thereafter for twenty-nine years with a final installment payment of Forty-Six Thousand One Hundred Fifteen Dollars and

escrow installment payments to be made as follows: January, February, March and April escrow installment payments each in the amount of Six Thousand Six Hundred Eighty-Six Dollars and Sixty-Nine Cents (\$6,686.69) each, due and payable respectively on the first day of January, 2003, the first day of February, 2002 the first day of March, 2002 and the first day of April, 2002, and the remaining January, February, March and April payments each of Six Thousand Six Hundred Eighty-Six Dollars and Sixty-Nine Cents (\$6,686.69) for each subsequent year during the life of the loan being due and payable respectively on the first day of January, the first day of February, the first day of March and the first day of April thereafter for twenty-nine years; the May and June escrow installment payments each in the amount of Three Thousand Two Hundred Twenty Eight Dollars and Six Cents (\$3,228.06) each, due and payable respectively on the first day of May and the first day of June, 2002, and the remaining May and June payments each of Three Thousand Two Hundred Twenty-Eight Dollars and Six Cents (\$3,228.06) for each subsequent year during the life of the loan being due and payable respectively on the first day of May and the first day of June thereafter for twenty nine years; the July, August, September and October installment payments each in the amount of One Thousand Six Hundred Fourteen Dollars and Three Cents (\$1,614.03) each, due and payable respectively on the first day of July, the first day of August, the first day of September and the first day of October, 2002, and the remaining July, August, September and October payments each of One Thousand Six Hundred Fourteen Dollars and Three Cents (\$1,614.03) for each subsequent year during the life of the loan being due and payable respectively on the first day of July, the first day of August, the first day of September and the first day of October thereafter for twenty nine years; the November and December escrow installment payments each in the amount of Three Thousand Two Hundred Twenty-Eight Dollars and Six Cents (\$3,228.06) each, due and payable respectively on the first day of November and the first day of December, 2002, and the

payments shall be applied by the Mortgagee to the Mortgagor's annual payment of interest and principal during the life of the loan as hereinbefore stated.

This Note is the Note referred to and secured by the Amended and Restated Mortgage and Security Agreement of even date herewith on real and personal property comprising all of the assets of Elam Utility Company, Inc., as described in said Amended and Restated Mortgage and Security Agreement, and the terms of said Amended and Restated Mortgage and Security Agreement are hereby made a part hereof and included herein by reference as if set out in full, the same being adopted, ratified and confirmed as if set out anew herein.

If the Elam Utility Company, Inc., shall fail to pay any installment when first due and payable, or breach any of the terms and conditions of this Note and/or the Amended and Restated Mortgage and Security Agreement securing the repayment of the same, all of said terms and conditions being considered material to this transaction, the breach of which shall constitute default, the holder or holders of this note may declare all the remaining installments fully due and payable at once without notice of demand, the same as if said remaining installments were then fully due and payable, the time for payment having been accelerated at the option of the holder or holders of this Note by reason of said default, and the holder or holders of this Note may proceed to enforce their rights under the terms and conditions of this Note and the Amended and Restated Mortgage and Security Agreement which secures the repayment of the same by initiating foreclosure proceedings as provided by said terms or as provided by law, at the option of the aforesaid holder or holders.

Failure of the holder or holders of this Note to exercise any right or remedy, including but not limited by reason or enumeration, acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the Elam Utility Company, Inc., or a waiver of the right or rights of the holder or holders of this Note or constitute a

IN TESTIMONY WHEREOF, witness the hand of the duly authorized agent, officer and representative of the Elam Utility Company, Inc., on behalf of said corporation.

ELAM UTILITY COMPANY, INC.

By Wilma B Ison
President

Commonwealth of Kentucky
County of Morgan

Before me Jenny Ison, a notary public, in and for the State and County aforesaid, this day personally appeared Wilma Ison, President of Elam Utility Company, Inc. a Kentucky corporation, who is known to me to be the President of Elam Utility Company, Inc., and acknowledged that she, as the duly authorized representative of the aforesaid corporation, having been authorized by resolution of the corporation's Board of Directors, executed the foregoing Amended and Restated Mortgage and Security Agreement, on behalf of the foregoing corporation, and said mortgage was executed as and is the free and voluntary act and deed of Elam Utility Company, Inc., for the uses and purposes set forth therein; this 19th day of December 2001.

Jenny Ison
Notary Public

My commission expires: 03/15/2003

This Instrument Prepared By:

Richard J. Ornstein, Attorney
Department for Local Government
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-2382

CONDITIONS OF LOAN TO ELAM UTILITY COMPANY, INC.

The undersigned Elam Utility Company, Inc., (hereinafter referred to as gas system), being a natural gas distribution system operated wholly within the Commonwealth of Kentucky, and having received a new loan from the Gas System Restoration Project Account (hereinafter referred to as GSRP Account) in the amount of One Hundred Ninety Thousand Dollars and Three Cents (\$190,000.03) to be combined with two prior loans with remaining balances in the amounts of Four Hundred Twenty-Seven Thousand Four Hundred Twenty-Four Dollars and Ninety-Seven Cents (\$427,424.97) and One Hundred Eighty Thousand Dollars and No Cents (\$180,000.00) for a new loan total of Seven Hundred Ninety-Seven Thousand Four Hundred Twenty-Five Dollars and No Cents (\$797,425.00), hereby agrees to the following terms as a condition of said loan:

1. The gas system shall be brought into and remain in compliance with federal and state pipeline safety standards and regulations of the Energy Regulatory Commission, (hereinafter referred to as ERC), and the Department of Transportation.
2. Proceeds of the loan shall be used for payment of gas system's business debts which pre-exist the loan and for no other purpose.
 - a. Any payment made directly to the gas system shall be deposited in a separate identifiable account.
3. The annual amount due GSRP Account from Gas System on this loan may be made payable in monthly installments which shall reflect the following percentages of total annual amount due: January – April, 14.5% per month; May – June, 7.0% per month; July – October, 3.5% per month; and November – December, 7.0% per month. Payment of principal and interest shall be deferred until February 1, 2003. Interest will not start to accrue until February 1, 2002.
 - a. If ownership of the gas system is transferred by sale before repayment of this loan, the entire amount of outstanding principal and interest due shall be repaid before completion of the sales transaction.
 - b. Three years after the Review Board's loan approval the Board may review and adjust the payback rate, as they deem necessary. After this review the rate shall be reconsidered and adjusted if necessary every five (5) years.
4. One full-time supervisory employee of the gas system shall receive management training approved by ERC at the expense of said gas system.
5. Gas system shall place three percent (3%) of its annual gross revenue in an escrow account for replacement or emergency repair of equipment until fifty thousand dollars and no cents (\$50,000.00) is accrued and the percentage may be reduced thereafter provided said amount is maintained in the escrow amount

- a. The gas system waives the right to foreclosure by court action and agrees to the following procedures:
 - b. In the event that two consecutive management audits show the noncompliance with any of the conditions contained herein, the Commonwealth of Kentucky, Department for Local Government shall appoint a receiver, subject to the approval of the Account Review Board, who shall assume management and control of the gas system upon ten (10) days notice to gas system.
 1. If special conditions exist, the Account Review Board may allow the gas system six months beyond the second audit showing noncompliance during which time areas of noncompliance must be corrected to avoid receivership.
 - c. The receiver shall be reimbursed from revenues of the gas system and shall operate the gas system until it is brought into compliance with the conditions stated herein to the satisfaction of the Account Review Board, at which time responsibility for operation of the gas system shall be restored to the applicant upon such terms and conditions as required by the Account Review Board.
 - d. If the Account Review Board determines that it is not feasible to bring the gas system into lasting compliance, the gas system shall be sold and the proceeds applied to the loan. If the subject utility falls under the jurisdiction of the Kentucky Energy Regulatory Commission, then the Account Review Board shall make application to the ERC for authority to transfer the assets of the utility to another entity which has been found ready, willing, and able to assume the operations of the subject utility.
7. Gas System shall not discriminate in employment, operation or contractual activities on the ground of race, color, national origin, sex, religion, age or disability.
 8. Public liability insurance shall be maintained for the term of the loan by the gas system to conform with their limits of the current policy or at the determination of the board, and the Commonwealth of Kentucky shall be named on said policy as an additional insured.
 9. The operator shall adhere to any provisions or any special conditions of the Appalachian Regional Commission.
 10. The operator shall adhere to any provision for any other terms and conditions as agreed to and attached by the GSRP Review Board.

SCHEDULE OF MORTGAGED PROPERTY AND COLLATERAL

All property now owned or to be owned in the future by Debtor, ELAM UTILITY COMPANY, INC. wherever situated, both real and personal, tangible and intangible of whatever description or kind, including but not limited by reason of enumeration, any and all means and instrumentalities owned, operated, leased, licensed, used, furnished, or supplied for, by or in connection with the business of the ELAM UTILITY COMPANY, INC., accounts, both existing and those that will exist in the future, all rights of way, franchises, pipelines, pole lines, easements, railroad tracks, engines, cars, motor equipment, buildings, improvements and appurtenances presently standing or at any time hereafter constructed or placed upon the premises of the Debtor, or any part thereof, all furnaces, boilers, sprinkler systems, heating systems, air conditioning fixtures, plumbing fixtures, elevators, ventilating fixtures, gas and electric fixtures, elevators, electrical fixtures, all interior partitions, counters, railings, venetian blinds and traverse rods, asphalt tile floor coverings, wherever the same are situate.

ELAM UTILITY COMPANY, INC.

By: Wilma B. Ison
Wilma Ison
President and Equal Majority Shareholder

Commonwealth of Kentucky
County of Morgan

Before me Jenny Ison, a notary public, in and for the State and County aforesaid, this day personally appeared Wilma Ison, President of Elam Utility Company, Inc. a Kentucky corporation, and acknowledged that she, as a duly authorized representative of the aforesaid corporation, having been authorized by resolution of the corporation's Board of Directors, executed the foregoing Schedule of Mortgaged Property and Collateral (Schedule), on behalf of the foregoing corporation, and said Schedule was executed as and is the free and voluntary act and deed of Elam Utility Company, Inc., for the uses and purposes set forth therein; this 19th day of December, 2008.

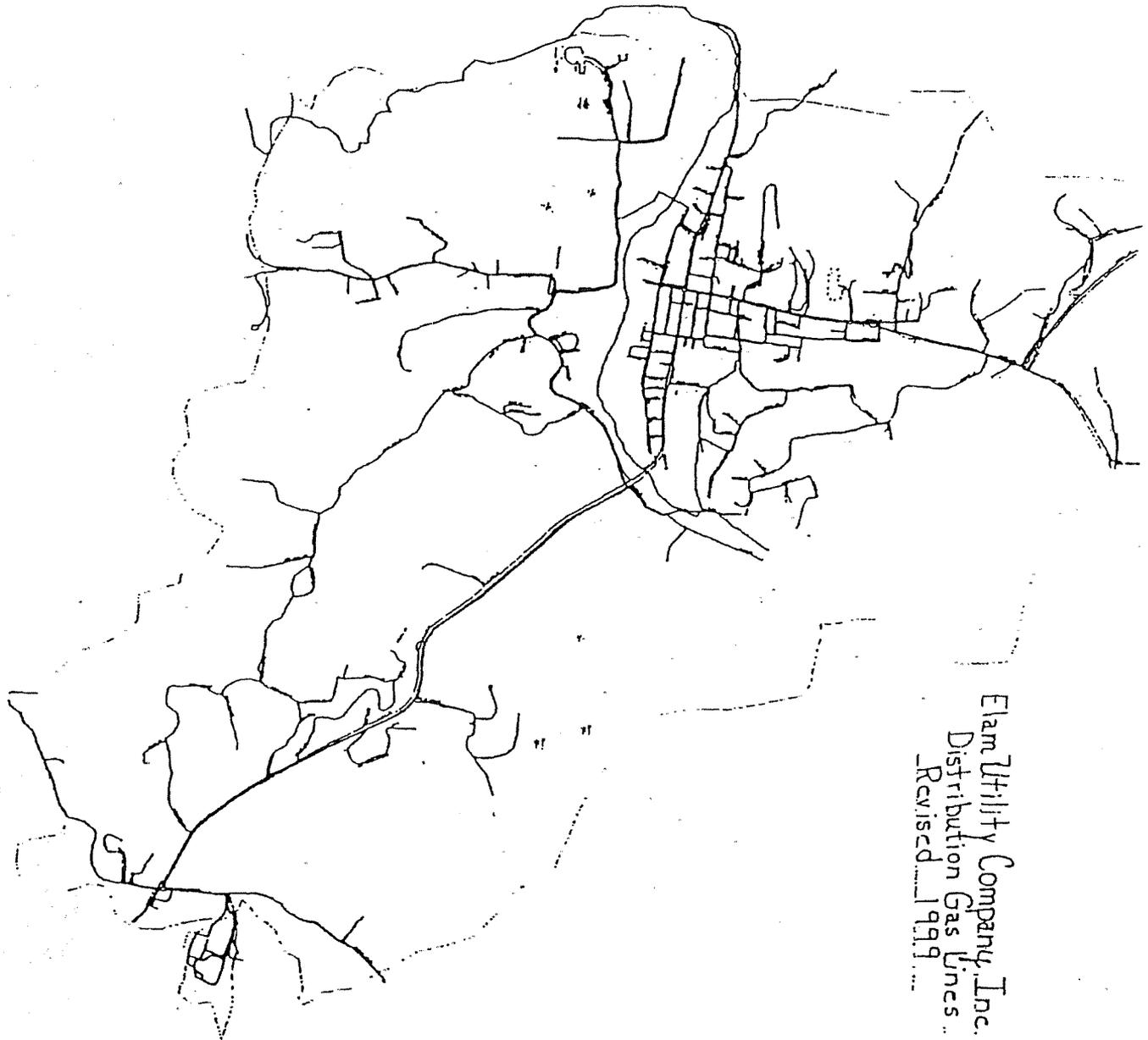
By: Doug Ison
Doug Ison
Equal Majority Shareholder

Commonwealth of Kentucky
County of MORGAN

Before me Jenny Ison, a notary public, in and for the State and County aforesaid, this day personally appeared Doug Ison, Equal Majority Shareholder of Elam Utility Company, Inc. a Kentucky corporation, and acknowledged that he, as a duly authorized representative of the aforesaid corporation, having been authorized by resolution of the corporation's Board of Directors, executed the foregoing Schedule of Mortgaged Property and Collateral (Schedule), on behalf of the foregoing corporation, and said Schedule was executed as and is the free and voluntary act and deed of Elam Utility Company, Inc., for the uses and purposes set forth therein; this 19th day of Dec, 2001.

Jenny Ison
Notary Public

My commission expires: 03/15/2003



Elam Utility Company, Inc.
Distribution Gas Lines
Revised 1999

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT dated as of October 1, 1991 (the "Mortgage"), between the COUNTY OF FLOYD, KENTUCKY, Floyd County Courthouse, Prestonsburg, Kentucky 41653, a political subdivision of the Commonwealth of Kentucky and EAST KENTUCKY UTILITIES, INC., P.O. Box 551, Prestonsburg, Kentucky 41653 (collectively, the "Mortgagor"), and FIRST COMMONWEALTH BANK, Box 231, Prestonsburg, Kentucky 41653, a Kentucky state banking corporation (the "Mortgagee"), as Mortgage Trustee (the "Mortgage Trustee") for the benefit of the owners of the \$620,000 of the County of Floyd, Kentucky Gas System Refunding Revenue Bonds, Series A, dated October 1, 1991 (the "Series A Bonds"), and the \$288,774.96 of the County of Floyd, Kentucky Gas System Refunding Revenue Bond, Series B, dated October 1, 1991 (the "Series B Bond"), issued pursuant to an ordinance (the "Ordinance") of the Fiscal Court of the County of Floyd, Kentucky, on September 20, 1991 (said Series A Bonds and Series B Bonds being hereinafter collectively referred to as the "Bonds").

W I T N E S S E T H :

The Mortgagor (i) in consideration of the purchase of the Series A Bonds in the aggregate principal amount of \$620,000 by the purchasers thereof, and the acceptance by the Commonwealth of Kentucky Department of Local Government (the "DLG") of the Series B Bond in full payment and satisfaction of a note in said amount due from the Mortgagor, issued in accordance with the provisions of Sections 58.010 through 58.140 of the Kentucky Revised Statutes, as amended (the "Act"), does by these presents grant, convey and mortgage unto Mortgagee the easements on real property, together with all appurtenances, rights-of-way, franchises, structures, fixtures and other property, real and personal, which may integrally belong to, or be or hereafter become an integral part of, the gas distribution system owned and/or operated by Mortgagor, whether attached or detached, described in the attached Exhibit A, and hereby grants to Mortgagee a security interest in the equipment and personal property used in the operation thereof, now in existence or hereafter acquired (hereinafter collectively referred to as the "System"), and hereby further grants, conveys, and mortgages to Mortgagee all of the servient estates appurtenant thereto, rents, issues, uses, and right to possession of the System from now until the Bonds and all other obligations secured hereby shall be paid or this mortgage lien and security interest is sooner released pursuant to the terms hereinafter provided. This mortgage is given to secure the payment of said Bonds and the obligations of East Kentucky Utilities, Inc., under that certain Lease ("the Lease") between the County of Floyd, Kentucky, and East Kentucky Utilities, Inc., dated as of June 26, 1979, as amended September 1, 1991. The maximum amount of principal indebtedness secured hereby shall be \$908,775. This Mortgage shall expire upon the payment by the Mortgagor of all amounts secured hereby. The final date of the maturity of the obligations secured hereby is September 1, 2012 as to the Series A Bonds, and January 1, 2020 as to the Series B Bond.

Mortgagor hereby covenants with Mortgagee, or its successors in interest, that Mortgagor holds good title to that portion of the System which constitutes real property, and has good and merchantable title to that portion of the System which constitutes personal property; that it has good and lawful authority to sell, convey, mortgage, and grant a security interest in the same; that the System is free and clear of all liens and encumbrances whatsoever except (i) the lien of this Mortgage, (ii) encumbrances, easements and restrictions of record,

(iii) the rights of owners of mineral estates, (iv) planning and zoning rules and regulations affecting the System, and that Mortgagor covenants to warrant and defend the System against the lawful claims of all persons whomsoever, except Mortgagee.

CONDITIONED, HOWEVER, that if Mortgagor, their successors or assigns, shall pay, or cause to be paid, or provision for such payment shall have been made in accordance with the Ordinance for payment of the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner provided in the Bonds, and shall cause the payments to be made on the Bonds as required under the Ordinance, and shall well and truly cause to be kept, performed, and observed all of Mortgagor's material covenants and conditions pursuant to the terms of the Ordinance, and if East Kentucky Utilities, Inc., its successors or assigns, shall pay, or cause to be paid, all amounts due under the Lease, then upon the final payment thereof the mortgage lien rights and security interests hereby granted shall cease, terminate, and be void, otherwise to be and remain in full force and effect.

1. INSURANCE. Mortgagor shall keep in force insurance upon the System as provided in the Ordinance.

2. MAINTENANCE OF PROJECT. Mortgagor shall maintain the structures and other improvements and equipment constituting a part of the System as provided in the Ordinance.

3. ATTORNEYS' FEES. In case of any action or any proceedings in any court to collect any sums payable by the Mortgagor under the Ordinance with respect to the Bonds or secured by this Mortgage to protect the lien of this Mortgage, or in any other case permitted by law in which attorneys' fees may be collected from Mortgagor or charged upon the System, Mortgagor agrees to pay reasonable attorneys' fees.

4. ADVANCES OPTIONAL WITH MORTGAGE TRUSTEE. It is expressly understood and agreed that if the insurance provided for in the Ordinance is not promptly effected, the Mortgage Trustee (whether electing to declare the whole mortgage due and collectible or not) may (but need not) effect the insurance provided for in the Ordinance; and all such payments with interest thereon at the prime rate of the Mortgage Trustee, plus 2%, from time of payment shall be a lien against the System.

5. ACCELERATION OF MATURITY AND FORECLOSURE. Upon the occurrence of an Event of Default as that term is defined in the Ordinance, the Mortgagee, or its successors or assigns, may at its option enforce the lien of this mortgage by judicial proceedings to have a receiver appointed to take possession and charge of the System, and operate or lease the System or any part thereof and collect, receive, and sequester any rentals, earnings, income, revenues, payments, or moneys therefrom (as may be permitted by law) and apply such amounts received, net after payment of Mortgagee's reasonable compensation, and compensation of its agents, counsel, and any paying agents, and any taxes and assessments and other charges prior to the first mortgage lien and security interest created by this Mortgage, which Mortgagee may consider advisable to pay, and such other reasonable and necessary expenses in connection with such judicial proceedings and to payment of the principal of, premium, if any, and interest on the Bonds in accordance with the Ordinance. Any amounts held by Mortgagee as a result of such proceedings in

excess of the amount necessary to pay principal of, premium, if any, and interest on all Bonds outstanding, and all other amounts secured hereby shall be paid to Mortgagor. Nothing herein shall limit Mortgagee from exercising any and all other remedies available to it at law or in equity or otherwise provided by the Ordinance.

6. ASSIGNMENT OF RENTS AND LEASES. Mortgagor hereby assigns to Mortgagee all leases, subleases, and rents, revenues, issues, and profits of the System as further security for the payment of all amounts owed by Mortgagor and for the performance of all Mortgagor's obligations hereunder and under the Ordinance with respect to the the Bonds, and grants Mortgagee the right to promote, manage, and/or operate the System or any part thereof in such manner as Mortgagee may elect, and to apply the revenues received therefrom, after payment of all necessary charges and expenses, to the obligations secured by this Mortgage, upon Mortgagor's default under any covenants, conditions, or agreements contained herein, in the Ordinance or in the Bonds. Although this is a present assignment, Mortgagee agrees that it will not exercise its rights hereunder unless and until Mortgagor shall be in default hereunder or under the Ordinance. Mortgagor shall, and hereby agrees that it will, indemnify Mortgagee, its officers, agents, and employees for and hold each of them harmless by reason of any alleged undertakings or obligations on Mortgagee's part to perform or discharge any terms, covenants, or agreements relative to use or occupancy of the System or any part thereof or for waste committed or permitted on the System, or by reason of any actual or allegedly dangerous or defective condition or conditions of the System resulting in loss or injury to any lessee or to any other person, including Mortgagee's reasonable costs and attorney's fees incurred by reason of any of the foregoing.

7. RECEIVERSHIP; POWER OF SALE. After the occurrence of an Event of Default as defined in the Ordinance, Mortgagee shall have the right: (1) to apply without notice (same being hereby expressly waived by Mortgagor) for the appointment of a receiver to collect the revenues and profits of the System or any leases affecting the system and to preserve the security hereof as a matter of right, without regard to the value of the System, or any other property given as security for the subject indebtedness, or the solvency of any entity liable for the payment of such amounts; (ii) to enter upon and take possession of the System and without application to any court, with the irrevocable consent of Mortgagor as evidenced by Mortgagor's execution of this Mortgage, and collect the revenues, issues and profits thereof; and, without the appointment of any receiver or application being made therefor, to manage, promote and/or operate the said System, either in Mortgagee's name or Mortgagor's name, by whatever means Mortgagee may elect (including but without limitation subleasing the System), and receive all the revenues, issues and profits therefrom, and apply the same, after payment of all necessary charges and expenses deemed by Mortgagee to be necessary, to the obligations hereby secured. All the foregoing rights and powers are effective and may be enforced by Mortgagee either in conjunction with or without any action to foreclose this Mortgage, and without applying at any time for a receiver for said System. The foregoing rights and remedies are independent of and in addition to the statutory right to appointment of a receiver.

8. PERSONAL PROPERTY RIGHTS; POWER OF ATTORNEY. In the event of Company's default hereunder or an Event of Default as defined in the Ordinance, Mortgagee shall have the following rights and remedies with regard to fixtures, equipment, machinery and other tangible personal property, if any, belonging to

the Mortgagor and described on Exhibit A hereto, which remedies and rights may be exercised concurrently with or independent of any other remedies available hereunder:

- (a) Mortgagee shall have in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Kentucky, including, without limitation, to take possession of the collateral, and for that purpose the Mortgagee may enter upon the property where located or upon any other premises on which the collateral may be situated and remove the same therefrom. Unless the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Mortgagee shall give to Mortgagor at least five (5) days prior written notice of the time and place of any public sale of collateral or of the time after which any private sale or any other intended disposition is to be made. Mortgagee may bid upon and acquire collateral at any public sale. In addition, Mortgagee may require Mortgagor, at Mortgagor's sole expense, to assemble all of said collateral and make it available to Mortgagee at a place to be designated by Mortgagee, or in the alternative, Mortgagee may conduct any public or private sale at the premises where such collateral is located.
- (b) The Mortgagee may at any time after default by Mortgagor as aforesaid in its discretion transfer any security or other property constituting collateral into Mortgagee's own name or that of Mortgagee's nominee and receive the income thereon and proceeds thereof and hold the same as security for the obligations secured hereby or apply it to principal or interest due on the obligations secured hereby.
- (c) Mortgagor irrevocably appoints Mortgagee its true and lawful attorney, with power of substitution, in the name of Mortgagor or in the name of Mortgagee or otherwise, for the use and benefit of Mortgagee but at the cost and expense of Mortgagor, without notice to Mortgagor or any of its representatives or successors: to alter collateral; to give, demand, collect, receipt for, and give renewals, extensions, bills of sale, transfers of title, discharges, and releases of any collateral; to institute and to prosecute legal and equitable proceedings to realize upon the collateral; to settle, compromise, compound, or adjust claims in respect of any collateral or any legal proceedings brought in respect thereof; and generally to sell same in whole or in part for cash, credit, or property to others or to itself at any public or private sale; to assign, make any agreement with respect to, or otherwise deal with any of the collateral as fully and completely as though Mortgagee were the absolute owner thereof for all purposes. Said power of attorney shall also include the right (but not the obligation) of Mortgagee to cure any default by Mortgagor relative to the System and other rights subject to the lien hereof; any sums expended or advanced by Mortgagee in effecting any such cure shall be secured by this Mortgage as security for the subject indebtedness, plus interest thereon at the prime rate of the Mortgage Trustee, plus 2%, until paid.

IN WITNESS WHEREOF, the County of Floyd, Kentucky and East Kentucky Utilities, Inc. have caused this instrument to be executed in their respective corporate names, and their respective corporate seals to be thereunto affixed and attested by their duly authorized officers; and Mortgagees have evidenced their acceptance of this instrument by having caused this instrument to be executed in their respective corporate names, as of the date first above written.

Mortgagor:

COUNTY OF FLOYD, KENTUCKY

(SEAL)

Attest:

Carla Robinson Boyd
County Clerk

By John M. Stumbo
County Judge/Executive

EAST KENTUCKY UTILITIES, INC.

(SEAL)

Attest:

Barbara D. Allen
Secretary

By David S. Allen
President

STATE OF KENTUCKY)
) SS:
COUNTY OF FLOYD)

The foregoing instrument was acknowledged before me this 10th day of October, 1991, by John M. Stumbo and Carla Robinson Boyd, the County Judge/Executive and County Clerk, respectively, of the County of Floyd, Kentucky.

WITNESS my signature and notarial seal this October 10, 1991.

My Commission expires: 08/24/95

(Seal of Notary)

Edward J. Lingard
Notary Public, State at Large, KY

STATE OF KENTUCKY)
) SS:
COUNTY OF FLOYD)

The foregoing instrument was acknowledged before me this 10th day of October, 1991, by David D. Allen and Barbara Allen, the President and Secretary of East Kentucky Utilities, Inc., a Kentucky corporation, on behalf of the corporation.

WITNESS my signature and notarial seal this October 10, 1991.

My Commission expires: 08/24/95

(Seal of Notary)

Edward A. Singus
Notary Public, State at Large, KY

THIS INSTRUMENT WAS PREPARED BY:

Wm. Carl Fust

Wm. Carl Fust
RUBIN HAYS & FOLEY
200 South Fifth Street
Louisville, Kentucky 40202
(502) 585-2153

EXHIBIT A

Schedule of Property

The property consists of all the gas system's mains, lines, valves, regulators, meters, service connections, regulator stations, owned and used in the service of natural gas to approximately 1,250 customers located in the towns of Allen, Dwale, Hueysville, Garrett, Lackey, Estill, Wayland and vicinity, including all easements and rights-of-way for its mains and services operated by East Kentucky Utilities, Inc., as Lessee, and holder of a certificate of convenience and necessity as granted by the Public Service Commission Order in Case No. 7561.

Said property having been acquired in part pursuant to the following conveyances:

Deed of Conveyance dated June 29, 1953, recorded in Deed Book 154, Page 69, in the Floyd County Clerk's office;

Deed and Bill of Sale dated June 27, 1953, recorded in Deed Book 154, Page 73, in the Floyd County Clerk's office;

Deed of Conveyance dated June 17, 1953, recorded in Deed Book 154, Page 74, in the Floyd County Clerk's office; and

Deed and Bill of Sale dated July 1, 1953, recorded in Contract Book 7, Page 4, in the Floyd County Clerk's office.

STATE OF KENTUCKY
S.S.
COUNTY OF FLOYD

I, CARLA "ROBINSON" BOYD, Clerk of the County Court in and for the County and State aforesaid certify that the foregoing Mortgage was on the 10th day of October 1991 at 2:20 o'clock p.m. lodged for record whereupon the same with the foregoing and this certificate have been duly recorded in my office.

Witness my hand, this 10th day of October 1991.

CARLA "ROBINSON" BOYD, CLERK
BY: [Signature] D.C.

SECURITY AGREEMENT AND MORTGAGE

THIS SECURITY AGREEMENT AND MORTGAGE made and entered into this ____ day of _____, ____ by and between the County of Floyd, Kentucky and its lessee East Kentucky Utilities, Inc., hereinafter jointly referred to as the Debtor; and the Commonwealth of Kentucky, acting by and for the use and benefit of the Department of Local Government, Capital Plaza Tower, Frankfort, Kentucky 40601, hereinafter referred to as the Secured Party:

WITNESSETH:

WHEREAS, the Debtor has applied, been approved for and received a loan from the Secured Party's Gas Systems Restoration Project Account, hereinafter referred to as GSRP Account, in the amount of two hundred ninety-two thousand, two hundred and twenty-one dollars and ninety cents (\$292,221.90) with interest to run thereon at the rate of 6.5 percent, compounded annually for thirty years from January 1st, 1990, and

WHEREAS, as a prerequisite to the receipt of the loan funds, the Debtor agreed to and executed CONDITIONS OF LOAN TO COUNTY OF FLOYD, KENTUCKY AND ITS LESSEE EAST KENTUCKY UTILITIES, INC., a true copy of which is attached hereto and marked as SECURITY AGREEMENT EXHIBIT A, hereinafter referred to as Conditions, and

WHEREAS, paragraph nine of said Conditions provides that the Secured Party shall have as security for the loan a lien on all the assets and future earnings of East Kentucky Utilities, Inc., subject to item II hereafter set out herein, and

WHEREAS, the Debtor has executed this date a promissory note as evidence of the debt secured by this Security Agreement and Mortgage and now wishes to execute this Security Agreement and Mortgage granting, releasing, assigning, transferring, pledging, and conveying to the Secured Party the lien as required by said Conditions,

NOW, THEREFORE, in consideration of the foregoing premises and the covenants herein contained and other valuable consideration, the receipt of which is hereby

acknowledged, and in order to effectuate the aforesaid mortgage lien security interest to the Secured Party, the parties hereto hereby mutually agree, covenant and bind themselves as follows:

1. In order to secure the performance of a promissory note of even date herewith, the Debtor hereby grants, releases, assigns, transfers, pledges, conveys and mortgages to the Secured Party a mortgage lien and security interest in all property, both real and personal, tangible and intangible, as listed on the schedule of property attached hereto and marked as **SECURITY AGREEMENT EXHIBIT B, SCHEDULE OF MORTGAGED PROPERTY AND COLLATERAL**, said listing comprising all of the assets of East Kentucky Utilities, Inc.

2. The Debtor hereby ratifies and reaffirms the terms and conditions set out in the attached Conditions, said Conditions constituting covenants of this Security Agreement and the note secured thereby, and breach of these Conditions, and or failure to timely make any installment payment as set out herein, or breach of any other covenant as contained herein or contained in the note secured hereby, shall constitute default and a material breach of the terms hereof for which the Secured Party may proceed to enforce its rights hereunder and under the terms of the promissory note secured hereby by initiating foreclosure proceedings as provided by law, at the option of the Secured Party.

3. It is covenanted and agreed that under the terms of this agreement and the note secured hereby, time of performance shall be of the essence.

4. The Debtor shall insure all of the property secured by this Security Agreement with companies acceptable to the Secured Party against such casualties as Debtor may be liable therefor and in such amounts as the Secured Party shall require in writing subsequent to this agreement. The insurance shall be for the benefit of the Debtor and the Secured Party as their interest may appear. The Secured Party is hereby authorized to collect from the insurance company any amount that may become due under any of such insurance, and the Secured Party may apply the same to the obligations hereby secured, applying the same first to interest with the balance applied to principal.

5. The Debtor shall pay promptly when due all taxes and assessments levied on any of the property used as security in this agreement or on its use and operation.

6. The Debtor will not suffer or permit any waste, impairment, deterioration, removal or demolition of the mortgaged property or any part thereof, other than what is necessary in the ordinary course of business, and will keep its properties in good repair, working order and condition and from time to time will make all needed and proper repairs, and improvements thereto so that the business carried on by the Debtor may be properly and advantageously conducted at all times in accordance with the rules and regulations of the Public Service Commission.

7. The Secured Party shall have the right to examine and inspect the property used as security herein at any reasonable time.

8. This agreement and the note secured hereby shall be construed according to the applicable laws of the state of Kentucky and all obligations of the parties created hereunder are to be performed in the state of Kentucky.

9. Pursuant to the provisions of KRS 58.010 to 58.140, the note secured hereby shall be payable solely from the revenues of East Kentucky Utilities, Inc., and does not constitute an indebtedness of the county within the meaning of the Constitution.

10. Failure of the Secured Party to exercise any right or remedy, including but not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the Debtor nor the right or rights of the Secured Party or a waiver of any other similar default subsequently occurring.

11. Secured party herein acknowledges and agrees that notwithstanding any and all covenants, stipulations and reference set out herein as to lien, pledge of assets and future earnings of East Kentucky Utilities, Inc. and the granting of a lien on any and all assets, property, real or personal are subject and inferior to the 1979 Revenue Bonds outstanding and all the covenants, conditions and reservations set out in said bond ordinance filed in Case No. 7561 with the Public Service Commission, copy of which has been filed with

secured party; and also subject and inferior to the pledges of revenue by East Kentucky Utilities, Inc. to First Commonwealth Bank of Prestonsburg, Kentucky, as authorized by resolutions of the Floyd County Fiscal Court, to retire all loans due said bank, subject to the 1979 Revenue Bonds outstanding, each of said amounts having been filed with secured party herein.

Secured party, further agrees that in the event it declines the balance of funding as applied for by debtor to pay all its outstanding indebtedness as shown by "use of funds" less the amount funded herein, then in this event, Floyd County may at its option issue its Revenue Bonds, pursuant to Section 58.010 through 58.140 of Kentucky Revised Statutes.

Secured party agrees to accept its remaining mortgage indebtedness at the time of such issue in exchange for the same dollar amount of said bonds issue and release its mortgage herein, in consideration of such bonds so issued being on a parity with the total bond issue, at the rate not less than 6½% so as to include underwriting expenses and bond counsel, and contingent upon all bonds so issued are marketed or exchanged by the current bond holders at the time of release of mortgage and delivery to secured party of such bonds. Said bonds to be retired not later than December, 2019, the last payment schedule shown in Exhibit B.

East Kentucky Utilities, Inc. is authorized to file its application with the PSC for amortization of all its indebtedness, pursuant to 278.023 of Kentucky Revised Statute, since its Corporate Charter was issued pursuant to Chapter 273-161 through 273-390 of Kentucky Revised Statute as set out in Case No. 7561 of record in its joint application herein.

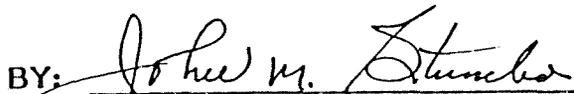
TO HAVE AND TO HOLD all the property and assets of East Kentucky Utilities, Inc., both real and personal, tangible and intangible including but not limited by reason of enumeration, future and or contingent interest of the Debtor, as hereinbefore set out in the attached exhibit, unto the Secured Party, its heirs and assigns, forever with the Debtor's warranty that the property herein listed constitutes all of the property of East Kentucky Utilities, Inc. and that, other than liens held by First Commonwealth Bank of Prestonsburg

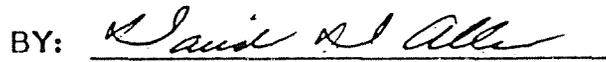
and the holders of the Water and Gas Refunding Revenue Bonds of 1979, which liens have been made known by the Debtor to the Secured Party, there exist no other financing statements or mortgages covering said property or any part thereof or interest therein.

IN TESTIMONY WHEREOF, witness the signature of the County Judge/Executive of the County of Floyd, Kentucky, on behalf of said county; and of the President of East Kentucky Utilities, Inc., on behalf of said corporation.

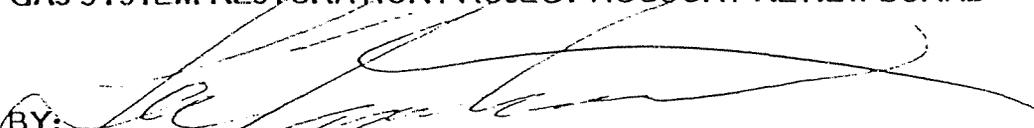
COUNTY OF FLOYD, KENTUCKY

EAST KENTUCKY UTILITIES, INC.

BY: 
John M. Stumbo
Floyd County Judge/Executive

BY: 
David D. Allen
President

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF LOCAL GOVERNMENT
GAS SYSTEM RESTORATION PROJECT ACCOUNT REVIEW BOARD

BY: 
Lee Troutwine, Commissioner and Chairman

STATE OF KENTUCKY

COUNTY OF FLOYD

Before me, Delores J. Lingus, a notary public in and for the state and county aforesaid this day personally appeared JOHN M. STUMBO, being and known to me as the County Judge/Executive of the COUNTY OF FLOYD, KENTUCKY, and acknowledged that he, as the duly authorized representative and agent of the aforesaid county, having been authorized by resolution of the county's fiscal court, executed the foregoing SECURITY AGREEMENT AND MORTGAGE on behalf of the aforesaid county, and said note was executed as and is the free and voluntary act and deed of the COUNTY OF FLOYD, KENTUCKY, for the uses and purposes set forth therein; also this day personally appeared DAVID D. ALLEN, being and known to me as President of EAST KENTUCKY UTILITIES, INC., a Kentucky corporation, and acknowledged that he, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing SECURITY AGREEMENT AND MORTGAGE on behalf of the aforesaid corporation, and said agreement was executed and is the free and voluntary act and deed of EAST KENTUCKY UTILITIES, INC. for the uses and purposes set forth therein; this 13 day of November, 1989

Delores J. Lingus
Notary Public, State of Kentucky

My Commission expires: 08/24/91.

STATE OF KENTUCKY

COUNTY OF FRANKLIN

Before me, Lee Troutwine, a notary public in and for the state and county aforesaid this day personally appeared Lee Troutwine, being and known to me as the Commissioner of the Kentucky Department of Local Government and Chairman of the Kentucky Gas System Restoration Project Account Review Board, and acknowledged that he, as the duly authorized representative and agent for the aforesaid department and board, is authorized to execute the foregoing SECURITY AGREEMENT AND MORTGAGE with the Floyd County Fiscal Court-East Kentucky Utilities for the uses and purposes set forth therein; this 20 day of November, 1989.

Nancy J. Rogers
Notary Public, State of Kentucky

My Commission expires: 3-18-90.

This instrument prepared by: D. R. [Signature]
Attorney

Conditions of Loan to County of Floyd, Kentucky
And Its Lessee
East Kentucky Utilities, Inc.

The undersigned County of Floyd, Kentucky and East Kentucky Utilities, Inc. (hereafter jointly referred to as Floyd County/East Kentucky) being the owner and lessee, respectively, of a natural gas distribution system operated wholly within the Commonwealth of Kentucky, and having applied for a loan from the Gas System Restoration Project Account (hereafter referred to as GSRP Account) in the amount of \$292,221.90, hereby agree to the following terms as a condition of said loan:

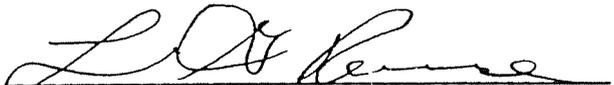
1. The gas system shall be brought into and operated in compliance with pipeline safety standards and regulations of the Kentucky Public Service Commission (hereafter referred to as PSC).
 - 1a. Reconstruction of the system shall be carried out in conformance with plans, specification and documents of Baldrige Engineering who has been approved by PSC, until said reconstruction is completed.
 - 1b. Maintenance procedures shall be performed in conformance with the requirements of the PSC throughout the term of the loan.
 - 1c. Gas system personnel shall assist and cooperate with PSC staff in conducting inspections of the gas system during the term of the loan.
2. Proceeds of the loan shall be used for payment of Floyd County/East Kentucky's debts to Southeastern Gas Company of Charleston, West Virginia, and Kentucky/West Virginia Gas of Ashland, Kentucky, which debts pre-exist the loan, and for no other purpose.
3. Payment of proceeds of the loan shall be made jointly to Floyd County/East Kentucky and its creditors listed in Paragraph 2 above.

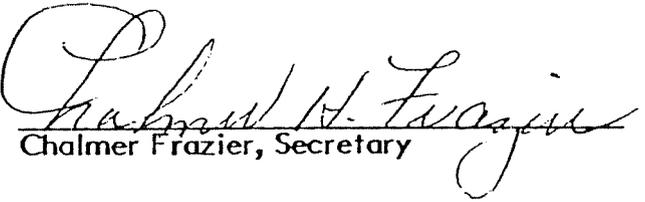
4. The annual amount due the GSRP Account from Floyd County/East Kentucky on this loan may be made payable in monthly installments which shall reflect the following percentages of the total annual amount due: January - April 14.5% per month; May - June 7% per month; July - October 3.5% per month; and November - December 7% per month. *Payment of principal and interest shall begin January 10, 1990.*
5. Personnel of the gas system shall receive training in accordance with PSC requirements and recommendations at the expense of the Gas System.
6. Floyd County/East Kentucky shall place 3% of the annual gross revenue derived from operation of the gas system into an escrow account for emergency repairs until \$50,000 is accrued subject to approval of PSC in rate structure.
 - 6a. Floyd County/East Kentucky must petition for and gain written approval from the GSRP Account Review Board before funds may be withdrawn from its escrow account for any purpose.
7. Floyd County/East Kentucky shall abide by all rules and regulations of PSC in the utilities operation.
8. Floyd County/East Kentucky shall assist and cooperate with Department of Local Government staff in conducting semi-annual management audits of the gas system.
 - 8a. The auditor shall determine compliance of the gas system with the conditions of this document.
 - 8b. Audit reports shall include a narrative and shall be submitted to the Gas System, PSC, GSRP Account Review Board, and such others as may be deemed appropriate by the Department of Local Government.
 - 8c. The audit shall list and locate all extensions and service connections to the system constructed since the previous report.
 - 8d. Floyd County/East Kentucky shall take all necessary action to correct noncompliance with the conditions of this document, if any, before the next management audit is scheduled to be performed.

9. As security for the loan, the Commonwealth of Kentucky shall have a lien on all assets and future earnings of East Kentucky Utilities, Inc., subject only to such other lien positions as may be outstanding in connection with previously secured debts of East Kentucky Utilities, Inc. as set out in Item II of Security Agreement and Mortgage.
 - 9a. In the event of substantial noncompliance by Floyd County/East Kentucky with any of the terms and conditions of this loan, the Commonwealth of Kentucky, Department of Local Government shall have the right to initiate foreclosure proceedings as provided by law upon thirty days' written notice to Floyd County/East Kentucky.
10. Floyd County/East Kentucky shall sign and adhere to the provisions set forth in the following forms (attached hereto):
 - 10a. Form ED-524, "Certification of Compliance with the Clean Air Act and the Federal Water Pollution Control Act."
 - 10b. Form ED-168, "Relocation and Land Acquisition Certificate."
 - 10c. Form ED-503, "Assurances of Compliance with the Department of Commerce and Economic Development Administration Regulations under Title VI of the Civil Rights Act of 1964 and the Public Law 92-65."
 - 10d. Form ED-612, "Current and Projected Job Opportunities."
11. Floyd County/East Kentucky shall not discriminate in employment, operation or contractual activities on the basis of race, color, national origin or sex.
12. Floyd County/East Kentucky shall obtain liability insurance where they may be liable on the operations of the gas utility. The Commonwealth of Kentucky shall be named as an additional insured, and said insurance shall be maintained for the lifetime of the loan.

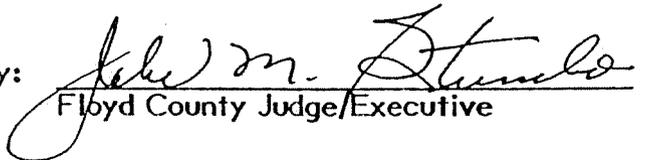
The GSRP Account Review has approved a loan to the County of Floyd, Kentucky and its lessee East Kentucky Utilities, Inc., for \$292,221.90 at 6.5% interest compounded annually for 30 years beginning January 1, 1990.


Lee Troutwine, Chairman


Lewis Rouse, Vice-Chairman


Chalmer Frazier, Secretary

This document is executed on the 13th day of November, 1989 as the true and voluntary act of the County of Floyd, Kentucky, as authorized by the Fiscal Court; and as the true and voluntary act of East Kentucky Utilities, Inc., as authorized by the Board of Directors.

By: 
Floyd County Judge/Executive

By: 
East Kentucky Utilities, President

Schedule of Mortgaged Property and Collateral

This system was created by Floyd County, under Chapter 58 of KRS Section 58.010 - 58.140 in the name of Floyd County Water and Gas System - and financed by a Revenue Bond Issue in 1953. The Revenue Bond Issue is referred to in Public Service Commission Case 7561, when the Revenue Bonds were reissued in said case for approval. A copy of this order is filed with the East Kentucky Utilities loan application.

The property consists of all the gas system's mains, lines, valves, regulators, meters, service connections, regulator stations, owned and used in the service of natural gas to approximately 1,250 customers, located in the towns of Allen, Dwale, Hueysville, Garrett, Lackey, Estill, Wayland and vicinity, including all easements and rights of way for its mains and services, operated by East Kentucky Utilities, Inc., as Lessee, and holder of a certificate of convenience and necessity as granted by the Public Service Commission order in Case 7561.

PROMISSORY NOTE

The County of Floyd, Kentucky, and its lessee East Kentucky Utilities, Inc., (the Debtor) for and in consideration of a loan in the amount of \$292,221.90, the receipt of which is hereby acknowledged, do hereby promise to pay to the order of the Commonwealth of Kentucky, acting by and for the use and benefit of the Department of Local Government's Gas Systems Restoration Project Account, payable at the offices of the Department of Local Government, (the Secured Party), Capital Plaza Tower, Frankfort, Franklin County, Kentucky 40601, the principal amount of \$292,221.90, with interest to run thereon at the rate of 6.5 percent compounded annually from January 1, 1990, to be paid in annual installment payments in the amount of \$22,378.35 for twenty-nine years and a final annual installment payment in the amount of \$22,314.11, with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment due and payable on the first day of January 1, 1991 and the remaining annual installment payments being due and payable on the first day of January thereafter for twenty-nine years, the final payment of interest and principal due and payable on the first day of January 2020. An escrow account shall be maintained by the Secured Party for the Debtor into which the Debtor shall make twelve monthly installment payments yearly for purposes of accumulating sufficient funds to meet and be applied to the annual installment payments of interest and principal as hereinbefore stated, said monthly escrow installment payments to be made as follows: first, second, third and fourth monthly escrow installment payments in the amount of \$3,244.86 due and payable respectively on the 10th day of January, February, March and April, 1990, and the remaining January, February, March and April escrow installment payments of \$3,244.86 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of January, February, March and April thereafter for twenty-nine years; fifth and sixth monthly escrow installment payments in the amount of \$1,566.49 due and payable respectively on the 10th of May and June, 1990,

and the remaining May and June escrow installment payments of \$1,566.49 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of May and June thereafter for twenty-nine years; seventh monthly escrow installment payment in the amount of \$783.23 due and payable on the 10th day of July, 1990 and the remaining July escrow installment payments of \$783.23 for each subsequent year during the life of the loan being due and payable on the 10th day of July thereafter for twenty-nine years; eighth, ninth and tenth monthly escrow installment payments in the amount of \$783.24 due and payable respectively on the 10th day of August, September and October 1990 and the remaining August, September and October escrow installment payments of \$783.24 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of August, September and October thereafter for twenty-nine years; eleventh and twelfth monthly escrow installment payments in the amount of \$1,566.49 due and payable respectively on the 10th day of November and December 1990, and the remaining November and December escrow installment payments of \$1,566.49 for each subsequent year during the life of the loan, except that the final December payment shall be \$1,502.25, being due and payable respectively on the 10th of November and December thereafter for twenty-nine years with the final monthly escrow installment payment due and payable on the tenth day of December 2019. The twelve monthly escrow installment payments, accumulating \$22,378.35 in each of the first twenty-nine years and \$22,314.11 in the thirtieth year, shall be applied by the Secured Party to the Debtor's annual payment of interest and principal on the first day of January for each year during the life of the loan as hereinbefore stated.

This note is the note referred to and secured by a Security Agreement and Mortgage of even date herewith on real and personal property comprising all the assets of East Kentucky Utilities, Inc. as described in said mortgage of record in the office of the clerk of the county court of Floyd County, Kentucky, and the terms of said mortgage are hereby made part

hereof and included herein by reference as if set out in full, the same being adopted, ratified and confirmed as if set out anew herein.

If the County of Floyd, Kentucky and East Kentucky Utilities, Inc. shall fail to pay any installment when first due and payable, or breach any of the terms and conditions of this note and/or the Security Agreement and Mortgage securing the repayment of the same, all of said terms and conditions being considered material to this transaction the breach of which shall constitute default, the holder or holders of this note may declare all the remaining installments fully due and payable at once without notice or demand, the same as if said remaining installments were then fully due and payable, the time for payment having been accelerated at the option of the holder or holders of this note by reason of said default, and the holder or holders of this note may proceed to enforce their rights under the terms and conditions of this note and the Security Agreement and Mortgage which secures the repayment of the same by initiating foreclosure proceedings as provided by said terms or as provided by law, at the option of the aforesaid holder or holders.

Failure of the holder or holders of this note to exercise any right or remedy, including but not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the County of Floyd, Kentucky and East Kentucky Utilities, or a waiver of the right or rights of the holder or holders of this note or constitute a waiver of any other similar breach of default subsequently occurring.

The undersigned, drawers and endorsers, severally waive presentment for payment, protest, demand and notice of protest, dishonor or non-payment.

It is understood and agreed that the schedule payments set out herein shall begin thirty days (30) from the date of the final order issued by Public Service Commission on East Kentucky Utilities, Inc. application for loan approval herein, and such payments coming due prior to said date shall be paid with interest after the remaining schedule payments have been made.

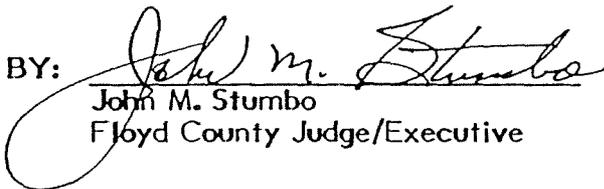
East Kentucky Utilities shall file said application within twenty days from closing date herein.

It is a special condition of this note that the County of Floyd is not liable for the payment of same or interest thereon, including any member of the Fiscal Court or County Judge/Executive, pursuant to section 58.010 through 58.140 of Kentucky Revised Statutes, and in lieu of said Revenue Bonds, secured party has accepted this mortgage of Floyd County and adopts above Statutory Sections and all such provisions of said Statutory Sections to apply to this mortgage and Security Agreement.

IN TESTIMONY WHEREOF, witness the hand of the duly authorized agent, officer and representative of the County of Floyd, Kentucky on behalf of said county; and of the duly authorized agent, officer and representative of East Kentucky Utilities, Inc., on behalf of said corporation.

County of Floyd, Kentucky

East Kentucky Utilities, Inc.

BY: 
John M. Stumbo
Floyd County Judge/Executive

BY: 
David D. Allen
President

STATE OF KENTUCKY

COUNTY OF FLOYD

Before me, Delores A. Singus a notary public in and for the state and county aforesaid this day personally appeared JOHN M. STUMBO, being and known to me as the County Judge/Executive of the COUNTY OF FLOYD, KENTUCKY, and acknowledged that he, as the duly authorized representative and agent of the aforesaid county, having been authorized by resolution of the county's fiscal court, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid county, and said note was executed as and is the free and voluntary act and deed of the COUNTY OF FLOYD, KENTUCKY, for the uses and purposes set forth therein; also this day personally appeared DAVID D. ALLEN, being and known to me as President of EAST KENTUCKY UTILITIES, INC., a Kentucky corporation, and acknowledged that he, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid corporation, and said note was executed and is the free and voluntary act and deed of EAST KENTUCKY UTILITIES, INC., for the uses and purposes set forth therein; this 13 day of November, 1989

Delores A. Singus
Notary Public, State of Kentucky

My Commission expires: 08/24/91.



OFFICE OF THE GOVERNOR
DEPARTMENT OF LOCAL GOVERNMENT

WALLACE G. WILKINSON
GOVERNOR

FRANKFORT, KENTUCKY 40601

LEE TROUTWINE
COMMISSIONER

November 14, 1989

Mr. Lewis G. Rouse
Natural Gas Services, Inc.
1401 Spring Bank Drive
Owensboro, Kentucky 42301

Dear Lewis:

As vice-chairman of the Kentucky Gas System Restoration Project Account Review Board, your approval of the Floyd County-East Kentucky conditions of loan and signature thereon are required. I have enclosed the Security Agreement and Mortgage for Floyd County-East Kentucky Utilities, including the loan conditions, for your approval and signature. Please return the document to me as soon as possible in the enclosed envelope.

Thank you very much.

Sincerely,

A handwritten signature in cursive script that reads "Genny Sandidge".

Virginia Sandidge, Director
Division of Development Finance

TC/ch

Enclosure

An Equal Opportunity Employer M/F/H

CAPITAL PLAZA TOWER
(502) 564-2382



OFFICE OF THE GOVERNOR
DEPARTMENT OF LOCAL GOVERNMENT

WALLACE G. WILKINSON
GOVERNOR

FRANKFORT, KENTUCKY 40601

LEE TROUTWINE
COMMISSIONER

MEMORANDUM

TO: Ron Cook
FROM: Tom Craighead *TC*
DATE: November 21, 1989
SUBJECT: Floyd County-East Kentucky Utilities, Inc.

The security agreement-mortgage and promissory note for the above captioned GSRP loan must be recorded in the Floyd County Court Clerk's office now that the documents have been fully executed. Enclosed is a memorandum from Floyd County Court Clerk Carla Bolton advising of the filing fees.

I would like to request a check in the amount of \$43.90 made payable to Carla R. Bolton, Floyd County Clerk, Post Office Box 1089, Prestonsburg, Kentucky 41653. Upon issuance of the check, the documents will be forwarded to the clerk for recording.

This expense can be charged to the Revolving Loan Fund interest account 13-31-112-AS00-R771 if you prefer.

TC/ch

Enclosure



Carla "Robinson" Bolton

FLOYD COUNTY CLERK

P. O. Box 1089

Prestonsburg, Kentucky 41653

(606) 886-3816

November 13, 1989

Mr. Lee Troutwine
Commissioner
Department of Local Government
Capital Plaza Tower - 2nd Floor
Frankfort Ky 40601

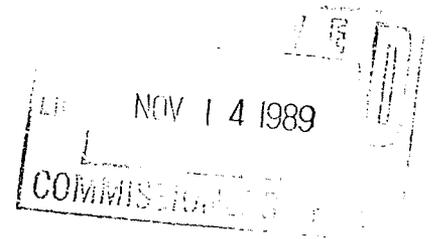
In reference to your letter dated November 10, 1989,
filing fees are as listed below:

Promissory Note	-\$ 10.50
Mortgage	- 22.90
Security Agreement	- <u>10.50</u>
	\$ 43.90

If you have any questions, please let me know.
Thank you.

Carla R. Bolton, Clerk

by: Juanita Rice
Deputy Clerk



WALLACE G. WILKINSON
GOVERNOR

OFFICE OF THE GOVERNOR
DEPARTMENT OF LOCAL GOVERNMENT

FRANKFORT, KENTUCKY 40601

LEE TROUTWINE
COMMISSIONER

November 10, 1989

Ms. Carla R. Bolton
Floyd County Court Clerk
Post Office Box 1089
Prestonsburg, Kentucky 41653

Dear Ms. Bolton:

Please find enclosed a promissory note and mortgage and security agreement to be properly executed for a gas system restoration project loan that the Commonwealth of Kentucky has made to Floyd County-East Kentucky Utilities. The following state Treasury checks are also enclosed:

#4,765,278 for \$217,221.90 payable to Floyd County-Kentucky West Virginia Gas
#4,765,277 for \$75,000.00 payable to Floyd County-Southeastern Gas

Once the loan documents have been properly signed by Judge Stumbo and David Allen and notarized, you are hereby authorized to deliver the above referenced checks to Judge Stumbo.

Please return the signed loan documents to me in the enclosed, self-addressed envelope for further processing. Once all of the signatures have been obtained, the documents will be returned to you for recording. Please identify the required recording fees upon return of the documents.

I appreciate your assistance with this matter.

Sincerely,

Lee Troutwine
Commissioner

TC/ch

Enclosure

cc: John Stumbo
David Allen
Denis Fleming

file # 87-1000
Date: 11-27-89
Time: 9:50 AM \$10.50

PROMISSORY NOTE

The County of Floyd, Kentucky, and its lessee East Kentucky Utilities, Inc., (the Debtor) for and in consideration of a loan in the amount of \$292,221.90, the receipt of which is hereby acknowledged, do hereby promise to pay to the order of the Commonwealth of Kentucky, acting by and for the use and benefit of the Department of Local Government's Gas Systems Restoration Project Account, payable at the offices of the Department of Local Government, (the Secured Party), Capital Plaza Tower, Frankfort, Franklin County, Kentucky 40601, the principal amount of \$292,221.90, with interest to run thereon at the rate of 6.5 percent compounded annually from January 1, 1990, to be paid in annual installment payments in the amount of \$22,378.35 for twenty-nine years and a final annual installment payment in the amount of \$22,314.11, with the annual installment payments first applied to interest and the balance to principal, the first annual installment payment due and payable on the first day of January 1, 1991 and the remaining annual installment payments being due and payable on the first day of January thereafter for twenty-nine years, the final payment of interest and principal due and payable on the first day of January 2020. An escrow account shall be maintained by the Secured Party for the Debtor into which the Debtor shall make twelve monthly installment payments yearly for purposes of accumulating sufficient funds to meet and be applied to the annual installment payments of interest and principal as hereinbefore stated, said monthly escrow installment payments to be made as follows: first, second, third and fourth monthly escrow installment payments in the amount of \$3,244.86 due and payable respectively on the 10th day of January, February, March and April, 1990, and the remaining January, February, March and April escrow installment payments of \$3,244.86 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of January, February, March and April thereafter for twenty-nine years; fifth and sixth monthly escrow installment payments in the amount of \$1,566.49 due and payable respectively on the 10th of May and June, 1990,

and the remaining May and June escrow installment payments of \$1,566.49 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of May and June thereafter for twenty-nine years; seventh monthly escrow installment payment in the amount of \$783.23 due and payable on the 10th day of July, 1990 and the remaining July escrow installment payments of \$783.23 for each subsequent year during the life of the loan being due and payable on the 10th day of July thereafter for twenty-nine years; eighth, ninth and tenth monthly escrow installment payments in the amount of \$783.24 due and payable respectively on the 10th day of August, September and October 1990 and the remaining August, September and October escrow installment payments of \$783.24 for each subsequent year during the life of the loan being due and payable respectively on the 10th day of August, September and October thereafter for twenty-nine years; eleventh and twelfth monthly escrow installment payments in the amount of \$1,566.49 due and payable respectively on the 10th day of November and December 1990, and the remaining November and December escrow installment payments of \$1,566.49 for each subsequent year during the life of the loan, except that the final December payment shall be \$1,502.25, being due and payable respectively on the 10th of November and December thereafter for twenty-nine years with the final monthly escrow installment payment due and payable on the tenth day of December 2019. The twelve monthly escrow installment payments, accumulating \$22,378.35 in each of the first twenty-nine years and \$22,314.11 in the thirtieth year, shall be applied by the Secured Party to the Debtor's annual payment of interest and principal on the first day of January for each year during the life of the loan as hereinbefore stated.

This note is the note referred to and secured by a Security Agreement and Mortgage of even date herewith on real and personal property comprising all the assets of East Kentucky Utilities, Inc. as described in said mortgage of record in the office of the clerk of the county court of Floyd County, Kentucky, and the terms of said mortgage are hereby made part

hereof and included herein by reference as if set out in full, the same being adopted, ratified and confirmed as if set out anew herein.

If the County of Floyd, Kentucky and East Kentucky Utilities, Inc. shall fail to pay any installment when first due and payable, or breach any of the terms and conditions of this note and/or the Security Agreement and Mortgage securing the repayment of the same, all of said terms and conditions being considered material to this transaction the breach of which shall constitute default, the holder or holders of this note may declare all the remaining installments fully due and payable at once without notice or demand, the same as if said remaining installments were then fully due and payable, the time for payment having been accelerated at the option of the holder or holders of this note by reason of said default, and the holder or holders of this note may proceed to enforce their rights under the terms and conditions of this note and the Security Agreement and Mortgage which secures the repayment of the same by initiating foreclosure proceedings as provided by said terms or as provided by law, at the option of the aforesaid holder or holders.

Failure of the holder or holders of this note to exercise any right or remedy, including but not limited by reason of enumeration, the acceptance of partial or delinquent payments, shall not constitute a waiver of any obligation of the County of Floyd, Kentucky and East Kentucky Utilities, or a waiver of the right or rights of the holder or holders of this note or constitute a waiver of any other similar breach of default subsequently occurring.

The undersigned, drawers and endorsers, severally waive presentment for payment, protest, demand and notice of protest, dishonor or non-payment.

It is understood and agreed that the schedule payments set out herein shall begin thirty days (30) from the date of the final order issued by Public Service Commission on East Kentucky Utilities, Inc. application for loan approval herein, and such payments coming due prior to said date shall be paid with interest after the remaining schedule payments have been made.

East Kentucky Utilities shall file said application within twenty days from closing date herein.

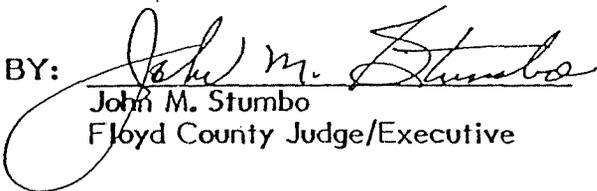
It is a special condition of this note that the County of Floyd is not liable for the payment of same or interest thereon, including any member of the Fiscal Court or County Judge/Executive, pursuant to section 58.010 through 58.140 of Kentucky Revised Statutes, and in lieu of said Revenue Bonds, secured party has accepted this mortgage of Floyd County and adopts, above Statutory Sections and all such provisions of said Statutory Sections to apply to this mortgage and Security Agreement.

IN TESTIMONY WHEREOF, witness the hand of the duly authorized agent, officer and representative of the County of Floyd, Kentucky on behalf of said county; and of the duly authorized agent, officer and representative of East Kentucky Utilities, Inc., on behalf of said corporation.

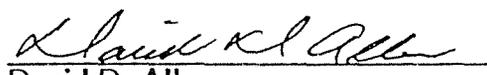
County of Floyd, Kentucky

East Kentucky Utilities, Inc.

BY:


John M. Stumbo
Floyd County Judge/Executive

BY:


David D. Allen
President

STATE OF KENTUCKY

COUNTY OF FLOYD

Before me, Delores A. Lingus a notary public in and for the state and county aforesaid this day personally appeared JOHN M. STUMBO, being and known to me as the County Judge/Executive of the COUNTY OF FLOYD, KENTUCKY, and acknowledged that he, as the duly authorized representative and agent of the aforesaid county, having been authorized by resolution of the county's fiscal court, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid county, and said note was executed as and is the free and voluntary act and deed of the COUNTY OF FLOYD, KENTUCKY, for the uses and purposes set forth therein; also this day personally appeared DAVID D. ALLEN, being and known to me as President of EAST KENTUCKY UTILITIES, INC., a Kentucky corporation, and acknowledged that he, as the duly authorized representative and agent of the aforesaid corporation having been authorized by resolution of the corporation's Board of Directors, executed the foregoing PROMISSORY NOTE on behalf of the aforesaid corporation, and said note was executed and is the free and voluntary act and deed of EAST KENTUCKY UTILITIES, INC., for the uses and purposes set forth therein; this 13 day of November, 1989.

Delores A. Lingus
Notary Public, State of Kentucky

My Commission expires: 08/24/91.

Rubin Hays & Foley

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202

Telephone (502) 585-2153 Telefax (502) 589-5529

WM. CARL FUST
DAVID W. GRAY
NEWMAN T. GLUTHRIE*
IRVIN D. FOLEY
JOSEPH R. GATHRIGHT, JR.
CHARLES H. ZIMMERMAN, JR.
LISA KOCH BRYANT**
SHARON C. HARDY
CHARLES S. MUSSON
W. RANDALL JONES
K. GAIL RUSSELL

October 8, 1991

RECEIVED

OCT 09 1991

DEPARTMENT OF
LOCAL GOVERNMENT

OF COUNSEL
JAMES E. FAHEY

*ALSO ADMITTED IN MICHIGAN
**ALSO ADMITTED IN INDIANA

Mr. Tom Craighead
Department of Local Government
Capitol Plaza Tower
Frankfort, Kentucky 40601

Re: Department of Local Government (DLG)
Gas Systems Restoration Project Loan
Floyd County, Kentucky, and East Kentucky
Utilities, Inc.
Principal Amount: \$288,774.96

Dear Tom:

Enclosed is the fully executed and authenticated Series B Bond payable to the Commonwealth of Kentucky Department of Local Government in the amount of \$288,774.96. Attached to the Series B Bond is our signed Legal Opinion.

Upon receipt of this Bond, please overnight express to Mr. Burl W. Spurlock, 100 North Arnold Avenue, First Commonwealth Bank, Prestonsburg, Kentucky 41653, the Release of Real Estate Mortgage, which we previously sent to you and also the form of Termination Statement which you received when you filed a UCC-1 to protect your security interest in the Gas System. Mr. Spurlock will hold all documents until receipt of the proceeds of the sale of the Series A Bonds and the receipt by you of the two checks in the amount of \$2,910.19 and \$783.24 respectively, from East Kentucky Utilities, Inc.

We would also appreciate your marking the DLG Note paid and sending it to us after the closing of this financing on October 10, 1991.

Very truly yours,

RUBIN HAYS & FOLEY


Wm. Carl Fust

WCF:ml

cc: Mr. Burl W. Spurlock
Mr. David Allen

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF FLOYD
GAS SYSTEM REFUNDING REVENUE BOND
SERIES B

NO. R-1

\$288,774.96

DATE OF ORIGINAL ISSUE:

October 1, 1991

INTEREST RATE:

6.5% (compounded annually)

MATURITY DATE:

January 1, 2020

REGISTERED OWNER: Commonwealth of Kentucky
Department of Local Government
Frankfort, Kentucky 40601

PRINCIPAL AMOUNT:

TWO HUNDRED EIGHTY-EIGHT THOUSAND SEVEN HUNDRED
SEVENTY-FOUR DOLLARS AND NINETY-SIX CENTS

KNOW ALL MEN BY THESE PRESENTS:

That the County of Floyd (the "County"), in the Commonwealth of Kentucky, for value received, hereby promises to pay to the Registered Owner named above, or registered assigns or legal representatives, as herein provided, solely from the special fund hereinafter identified, the Principal Amount specified above, with interest on said sum at the per annum Interest Rate specified above, in twenty-nine annual installment payments of principal and interest in the amount of \$22,378.35 (the first installment has been prepaid in part leaving an amount due on January 1, 1992, of \$3,916.22) for twenty-eight installments and a final annual installment payment in the amount of \$22,314.11, with the annual installment payments being first applied to interest and the balance to principal. The first annual installment shall be due and payable on January 1, 1992, and the remaining annual installment payments shall be due and payable on each January 1 thereafter through and including January 1, 2020, provided, however, that monthly payments in the amounts set forth in Exhibit A attached hereto shall be payable to the Registered Owner on the tenth day of each calendar month out of the revenues of the System (hereinafter identified) deposited to the credit of the Debt Service Fund (hereinafter identified) as pro tauto prepayment of the next succeeding January 1 installment due hereon.

This Bond is part of an authorized issue of SIX HUNDRED TWENTY THOUSAND DOLLARS (\$620,000) principal amount of Series A Bonds and \$288,774.96 principal amount of Series B Bonds (said

bonds being hereinafter sometimes collectively referred to as "the Bonds," or "these Bonds") authorized to be issued by said County pursuant to an Ordinance (the "Bond Ordinance") of the Fiscal Court of the County, under the authority of and in full compliance with the Constitution and Statutes of Kentucky, including Sections 58.010 through 58.140 of the Kentucky Revised Statutes. The proceeds of the Series A Bonds will be used for the purpose of financing (i) the redemption prior to maturity of the County's outstanding Water and Gas Refunding Revenue Bonds of 1979, and the payment in full of certain bank loans, all of which are payable out of the revenues of the gas distribution system (the "System") owned by the County and leased to and operated by East Kentucky Utilities, Inc., for and on behalf of the County, (ii) the funding of a debt service reserve in the amount of one year's annual debt service on the Series A Bonds, and (iii) the cost of issuance of the Series A Bonds.

Concurrent with the issuance of the Series A Bonds, the County is issuing this Series B Bond in the principal amount of \$288,774.96, payable annually on January 1 of each year through January 1, 2020, on a parity as to security and source of payment with the Series A Bonds for the purpose of substituting said Series B Bond for that certain note payable to the Commonwealth of Kentucky, Department of Local Government, in the amount thereof.

It is provided in and by the Bond Ordinance that additional bonds ranking on a parity with these Bonds, may be issued and outstanding upon the conditions and restrictions provided in the Bond Ordinance; and these Bonds, together with such additional bonds ranking on a parity therewith as may be hereafter issued and outstanding from time to time under the parity conditions and restrictions of the Bond Ordinance, are and will continue to be payable from and secured by a first pledge of a fixed portion of the gross income and revenues to be derived from the operation of the System, which fixed portion of said gross income and revenues shall be sufficient to pay the principal of and interest on all of such outstanding bonds as and when the same become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "County of Floyd, Kentucky Gas System Bond Debt Service Fund" (the "Debt Service Fund").

The County covenants that so long as any of these Bonds and/or any additional parity bonds are outstanding, the County will cause the System to be continuously owned and operated as a revenue-producing public project within the meaning of Sections 58.010 through 58.140 of the Kentucky Revised Statutes, and to cause the fixing of such rates and charges, subject to the approval of any governmental agency having jurisdiction thereof, as may be needed for the services and facilities of the System so that the income and revenues therefrom will be sufficient to pay all of these Bonds and any additional parity bonds, and the interest thereon, as the same become due, to pay the cost of operation and maintenance of the System and to provide for an allowance for the depreciation thereof.

These Bonds do not constitute an indebtedness of the County of Floyd, Kentucky, within the meaning of any constitutional or statutory limitations, but are payable as to both principal and interest solely out of the revenues of the System, as aforesaid, which revenues shall be deposited in the Debt Service Fund.

This Bond is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the main office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Bond Ordinance, and upon surrender and cancellation of this Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative. Upon such transfer being made, a new fully registered Bond of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

The County and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof and interest due hereon and for all other purposes, and neither the County nor the Bond Registrar shall be affected by any notice to the contrary.

This Bond is subject to prepayment, in whole or in part, on the first day of any calendar month without premium or penalty.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of these Bonds, do exist, have existed, have happened and have been performed in due time, form and manner as required by law; that the amount of these Bonds, together with all other obligations of the County, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky, and that a sufficient portion of the gross income and revenues of the System has been pledged to and will be set aside into a special fund by the County for the prompt payment of the principal of and interest on the Bonds and any additional bonds ranking on a parity therewith.

IN WITNESS WHEREOF, the County of Floyd, Kentucky, has caused this Bond to be executed on its behalf with the manual signature of its County Judge/Executive, and its corporate seal to be imprinted hereon, attested by the manual signature of its County Clerk, as of the Date of Original Issue set forth above; provided, however, that this Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Bond Ordinance pursuant to which it was authorized until the Authentication Certificate of Registrar printed hereon shall have been executed by the manual signature of a duly authorized representative of the Registrar.

COUNTY OF FLOYD, KENTUCKY

(SEAL)

By John M. Estenbe
County Judge/Executive

Attest:

Carla Robinson Boyd
County Clerk

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Bond is the Series B Bond referred to in the within Bond and in the Bond Ordinance authorizing same.

The Authentication Date of this Bond is: October 10, 1991.

FIRST COMMONWEALTH BANK,
Prestonsburg, Kentucky,
Bond Registrar

By Burr Wells Spaulock, Pres.
Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____

the within Bond and hereby irrevocably constitutes and appoints _____

attorney to transfer said Bond on the books kept for registration and transfer of this Bond, with full power of substitution in the premises.

Dated: _____.

Registered Owner (Signature must correspond with name of Registered Owner)

Signature Guaranteed:

Social Security or other taxpayer identification number of assignee:

Notice: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange, Inc., or a commercial bank or trust company

SCHEDULE A

COUNTY OF FLOYD, KENTUCKY GAS SYSTEM REFUNDING REVENUE BONDS,
SERIES B, DATED OCTOBER 1, 1991

REPAYMENT SCHEDULE

<u>Year</u>	<u>Month</u>	<u>Monthly Payment</u>	<u>Interest</u>	<u>Principal</u>
1991	October	\$ 783.24	\$ 657.11	\$126.13
	November	1,566.49	1,314.21	252.28
	December	<u>1,566.49</u>	<u>1,314.21</u>	<u>252.28</u>
Totals		\$3,916.22	\$3,285.53	\$630.69
1992	January	\$ 3,244.86	\$ 2,688.33	\$ 556.53
	February	3,244.86	2,688.33	556.53
	March	3,244.86	2,688.33	556.53
	April	3,244.86	2,688.33	556.53
	May	1,566.49	1,297.82	268.67
	June	1,566.49	1,297.82	268.67
	July	783.23	648.91	134.32
	August	783.24	648.91	134.33
	September	783.24	648.91	134.33
	October	783.24	648.91	134.33
	November	1,566.49	1,297.82	268.67
	December	<u>1,566.49</u>	<u>1,297.82</u>	<u>268.67</u>
Totals		\$22,378.35	\$18,540.24	\$3,838.11

<u>Year</u>	<u>Month</u>	<u>Monthly Payment</u>	<u>Interest</u>	<u>Principal</u>
1993	January	\$ 3,244.86	\$ 2,652.16	\$ 592.70
	February	3,244.86	2,652.16	592.70
	March	3,244.86	2,652.16	592.70
	April	3,244.86	2,652.16	592.70
	May	1,566.49	1,280.35	286.14
	June	1,566.49	1,280.35	286.14
	July	783.23	640.18	143.05
	August	783.24	640.18	143.06
	September	783.24	640.18	143.06
	October	783.24	640.18	143.06
	November	1,566.49	1,280.35	286.14
	December	1,566.49	1,280.35	286.14
Totals		\$22,378.35	\$18,290.76	\$4,087.59
1994	January	3,244.86	2,613.63	631.23
	February	3,244.86	2,613.63	631.23
	March	3,244.86	2,613.63	631.23
	April	3,244.86	2,613.63	631.23
	May	1,566.49	1,261.75	304.74
	June	1,566.49	1,261.75	304.74
	July	783.23	630.88	152.35
	August	783.24	630.88	152.36
	September	783.24	630.88	152.36
	October	783.24	630.88	152.36
	November	1,566.49	1,261.75	304.74
	December	1,566.49	1,261.75	304.74
Totals		\$22,378.35	\$18,025.04	\$4,353.31
1995	January	3,244.86	2,572.60	672.26
	February	3,244.86	2,572.60	672.26
	March	3,244.86	2,572.60	672.26
	April	3,244.86	2,572.60	672.26
	May	1,566.49	1,241.95	324.54
	June	1,566.49	1,241.95	324.54
	July	783.23	620.97	162.26
	August	783.24	620.97	162.27
	September	783.24	620.97	162.27
	October	783.24	620.97	162.27
	November	1,566.49	1,241.95	324.54
	December	1,566.49	1,241.95	324.54
Totals		\$22,378.35	\$17,742.08	\$4,636.27